

**FISCAL YEAR 2009
MONITORING REPORT ON THE
VOCATIONAL REHABILITATION AND
INDEPENDENT LIVING PROGRAMS
IN THE STATE OF
INDIANA**



**U.S. DEPARTMENT OF EDUCATION
OFFICE OF SPECIAL EDUCATION AND
REHABILITATIVE SERVICES
REHABILITATION SERVICES ADMINISTRATION**

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EXECUTIVE SUMMARY

The Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the *Rehabilitation Act of 1973*, as amended (the Act) in the state of Indiana (IN):

- the vocational rehabilitation (VR) program, established under Title I;
- the supported employment (SE) program, established under Title VI, part B;
- the independent living (IL) program, authorized under Title VII, part B; and
- the independent living services program for older individuals who are blind (OIB), established under Title VII, Chapter 2.

Indiana Administration of the VR, SE, IL and OIB Programs

Indiana has designated the Division of Disability and Rehabilitative Services (DDRS) as the sole agency to provide VR and SE services to individuals with disabilities through the Bureau of Rehabilitative Services (BRS), the designated state unit. DDRS, the designated state agency, is located within the Indiana Family and Social Services Administration (FSSA). BRS administers a combined program that serves individuals who are blind as well as individuals with other disabling conditions. BRS also administers the IL and OIB programs.

The administrative offices for both DDRS and BRS are located in Indianapolis. There are 25 VR area offices in five administrative regions serving all 92 counties throughout Indiana. Five of the area offices are co-located with Indiana work force development (WD) centers, while numerous VR counselors meet with customers at WD centers. BRS assigns VR counselors to each of the public high schools in Indiana.

For the four programs listed above, this report describes RSA's review of BRS, provides information on its performance, identifies promising practices, identifies performance and compliance issues, and describes recommendations to improve program performance. The report also includes technical assistance (TA) that RSA provided to BRS during the review.

BRS' Performance over the Past Five Years

During the period beginning in FY 2003 and ending in FY 2007, BRS' employment rate increased from 56 percent to 58 percent. The number of new applicants decreased from 15,908 to 14,655 and the number of individuals served decreased from 21,071 to 14,454. The average hourly earnings for individuals who achieved employment increased from \$10.44 to \$10.83.

For the same period, of those individuals who achieved an employment outcome, the number who achieved a supported employment outcome decreased from 749 to 742. The average hourly earnings for these individuals increased from \$6.81 to \$7.63.

Also, the number of individuals who received IL services from the three centers for independent living (CIL) funded by BRS with Title VII, Part B funds increased from 482 in FY 2007, to 615

in FY 2008. The number of individuals served by the six CILs funded by RSA through Title VII, Part C increased from 995 to 1395 during the same period. Between FY 2007 and FY 2008, the number of individuals served in the OIB program increased from 654 to 995.

Strengths and Challenges: RSA identified the following programmatic strengths that contributed to BRS' high or improved performance as well as the challenges BRS faces in the efforts to improve its performance.

Strengths:

- BRS' transition services are supported by its positive collaborative relationships with educational agencies and schools across the state.
- BRS developed a partnership with the Bureau of Developmental Disabilities Services (BDDS) that requires BRS VR counselors to submit a determination for eligibility for long-term supported employment funding to BDDS. This partnership simplified the process by which cases are transferred between agencies and increased the number of individuals who achieved supported employment in Indiana.
- BRS has established a CRP report card, which is used to monitor the quality and quantity of employment outcomes achieved by individuals served by CRPs. BRS shares this information with VR program participants to assist them in making informed choices when selecting service providers to meet their individual needs.
- BRS's newly-established performance-based contracting model for IL and OIB service providers has increased the programs' outcomes and accountability.
- BRS' use and review of data analyses and reports to improve the management and performance of the agency.

Challenges:

- Assisting persons with disabilities who are not employed at application to achieve employment.
- Conducting outreach and providing services to individuals with disabilities who are underserved or unserved through the VR program, including Hispanics and Latinos, and individuals who receive Social Security benefits based on their disabilities.
- Recruiting and retaining qualified VR professionals.
- Improving communication with field staff regarding the agency's mission, vision, program goals and system change initiatives.
- Enhancing the organizational capacity of BRS to carry out its administrative responsibilities.
- Strengthening the fiscal management system based on areas identified in fiscal audits.
- Improving the Indiana Council on Independent Living (ICOIL)'s programmatic and fiscal capacity to fulfill its statutory duties.

INTRODUCTION

Section 107 of the Act requires the commissioner of the RSA to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state VR agency is complying substantially with the provisions of its state plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the state plan Supplement for Supported Employment under Title VI part B of the Act and programs offered under Title VII of the Act are substantially complying with their respective state plan assurances and program requirements.

In order to fulfill its monitoring responsibilities, RSA:

- reviews the state agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment and independent living outcomes;
- identifies strengths, areas of consistently high performance, areas of improved performance, challenges and areas of performance that need to be improved;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides technical assistance (TA) to the state agency in order to improve its performance, meet its goals, and fulfill its state plan assurances.

Scope of the Review

RSA reviewed the performance of the following programs of the Act:

- the VR program, established under Title I;
- the SE program, established under Title VI, part B;
- the IL programs authorized under Title VII, part B; and
- the OIB program, established under Title VII, Chapter 2.

In addition, RSA also reviewed BRS' progress on:

- the agency's Corrective Action Plan established as a result of findings from RSA's FY 2004 Section 107 monitoring review; and
- outstanding compliance findings from RSA's FY 2002 review of the Indiana IL program.

Appreciation

RSA wishes to express appreciation to the representatives of the DDRS, BRS, the State Rehabilitation Council (SRC), the Statewide Independent Living Council (SILC), Client Assistance Program (CAP) and the stakeholders who assisted the RSA monitoring team in the review.

CHAPTER 1: RSA'S REVIEW PROCESS

Data Used During the Review

RSA's data collections are finalized and available at different times throughout the year. RSA's review of BRS began in the fall of 2008 and ended in the summer of 2009. When FY 2008 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five year trend, RSA included the FY 2008 data in the report. Otherwise, this report relies primarily on RSA's FY 2007 data collections as the most recent source of data about BRS' performance.

Review Process Activities

During the review process, the RSA IN state team:

- gathered, shared, and reviewed information regarding each program's performance;
- identified a wide range of VR and IL stakeholders and invited them to provide input into the review process;
- conducted an on-site visit, and held multiple discussions with state agency staff, SRC members, SILC members, and stakeholders;
- provided TA during the review process;
- identified performance areas for improvement and recommended that BRS undertake specific actions to improve its performance;
- identified compliance findings and required BRS to take corrective action;
- in collaboration with BRS determined whether RSA would provide TA to improve its performance or correct compliance findings; and
- identified issues for further review.

RSA Indiana State Team Review Participants

Members of RSA's Indiana state team included representatives from each of the five functional units within RSA's State Monitoring and Program Improvement Division (SMPID). The RSA review team was made up of the following individuals: Douglas Zhu, Jim Doyle and Tonya Stellar (Vocational Rehabilitation Program Unit); Regina Luster (Fiscal Unit); Felipe Lulli (Independent Living Unit); Terrence Martin (Technical Assistance Unit); Joe Pepin and Thomas Somers (Data Collection and Analysis Unit), and Jerry Elliott (OSERS Office of Policy and Planning).

Information Gathering

During FY 2009, RSA began its review of Indiana VR and IL programs by analyzing information including, but not limited to, RSA's various data collections, BRS' VR and IL state plans, and the Indiana SRC annual report. After completing its internal review, the RSA team

carried out the following information gathering activities with BRS and stakeholders in order to gain a greater understanding of BRS' strengths and challenges:

- conducted 11 teleconferences with VR stakeholders including the CAP, SRC, VR program participants and consumer advocacy groups beginning in February 2009;
- conducted 11 teleconferences with the BRS management and leadership team beginning in October 2008;
- conducted 12 teleconferences with BRS IL and OIB program staff, SILC members and CIL directors; and
- conducted an on-site monitoring visit from May 4 through May 15, 2009, and met with leadership and field staff of BRS, the CAP, CRPs, representatives of the SRC, CILs and SILC, and business and educational partners.

CHAPTER 2: BRS VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

The following table provides data on the performance of the BRS VR and SE programs in key areas from FY 2003 through FY 2007.

Table 2.1
BRS Program Highlights for VR and SE Programs for FY 2003 through FY 2007

Indiana Division of Disability and Rehabilitative Services	2003	2004	2005	2006	2007
Total funds expended on VR and SE	\$76,573,627	\$77,646,889	\$78,857,849	\$81,182,196	\$84,895,206
Individuals whose cases were closed with employment outcomes	4,818	5,021	5,961	5,616	5,046
Individuals whose cases were closed without employment outcomes	3,809	3,962	6,172	3,873	3,623
Total number of individuals whose cases were closed after receiving services	8,627	8,983	12,133	9,489	8,669
Employment rate	55.85%	55.89%	49.13%	59.18%	58.21%
Individuals whose cases were closed with supported employment outcomes	749	776	849	814	742
New applicants per million state population	2,565.81	2,497.28	2,296.33	2,266.72	2,307.87
Average cost per employment outcome	\$6,451.15	\$6,607.97	\$6,353.93	\$6,247.48	\$6,848.65
Average cost per unsuccessful employment outcome	\$4,551.02	\$4,992.87	\$4,471.06	\$4,616.36	\$4,406.60
Average hourly earnings for competitive employment outcomes	\$10.53	\$10.89	\$11.24	\$11.56	\$10.83
Average state hourly earnings	\$16.05	\$16.48	\$17.04	\$17.46	\$17.91
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	65.61%	66.08%	65.96%	66.21%	60.47%
Average hours worked per week for competitive employment outcomes	31.46	31.45	31.78	31.22	30.15
Percent of transition age served to total served	24.49 %	22.38%	23.71%	24.45%	26.50%
Employment rate for transition population served	47.85	46.82	39.83	50.78	52.90
Average time between application and closure (in months) for individuals with competitive employment outcomes	19.7	19.4	20.0	19.3	20.6
Performance on Standard 1	Met	Met	Met	Met	Met
Performance on Standard 2	Met	Met	Met	Met	Met

VR and SE Service Delivery

BRS administers the VR and SE programs through 25 local area offices divided evenly among five geographic regions. Of the agency's 165 VR counselors, 20 carry caseloads that include

individuals who are blind and visually impaired and another 16 provide services to persons who are deaf and hard of hearing.

BRS provides a majority of the services received by individuals in the VR and SE programs through a network of 88 CRPs around the state, using results-based contract models. The models are of two types: one for the provision of services to individuals who require ongoing follow-along services and a second for all other job placement services. Each model provides milestone payments at five different stages of the VR and SE processes.

In addition, BRS uses a CRP report card to monitor the current placement results, disability populations served, and the quality and quantity of employment outcomes achieved. The agency requires its CRPs to maintain accreditation from either the Commission on Accreditation of Rehabilitation Facilities or the Joint Commission on the Accreditation of Healthcare Organizations.

BRS primarily provides SE services to individuals with developmental disabilities, mental illness, autism, and traumatic brain injury. In FY 2008, BRS received an allotment of \$518,893 to operate the SE program authorized under Title VI, Part B. In addition, BRS expends significantly more in Title I funds on the provision of SE services, reporting in its FY 2009 VR state plan that it used \$10,302,454 of Title I funds for SE in FY 2008. In FY 2007, BRS assisted 276 individuals to achieve SE outcomes, representing 14.7 percent of all individuals who achieved employment and exceeding the percentage for all combined agencies of 8.0 percent. In addition, BRS assisted 22.7 percent of transition-age youths to achieve SE outcomes, which was almost three times the percentage of 8.9 percent for combined agencies in FY 2007.

Beginning in FY 2006, in an effort to expand services to transition-age youths, BRS developed 34 transition projects through which CRPs collaborate with VR counselors, school personnel and family members to generate referrals and provide transition services in 90 of the 92 counties in Indiana. Since FY 2008, BRS has provided multiple community-based work experiences for transition-age youths with the most significant disabilities through partnerships with the school systems, employers and CRPs, known as "Project Search" sites. Currently, there are three Project SEARCH sites located in two hospitals and a government building.

Although the percentage of transition-age youths served to the total number of individuals served fluctuated from FY 2003 to FY 2007, the overall percentage served increased slightly from 24.49 percent in FY 2003, to 26.50 percent in FY 2007. The overall number of transition-age youths who achieved employment increased from 1,011 in FY 2003, to 1,215 in FY 2007. However, the number of transition-age youths who achieved employment outcomes decreased to 1,041 in FY 2008.

The agency works with Easter Seals Crossroads to provide a wide range of assistive technology (AT) devices and services to VR program participants on a fee for service basis. This CRP also provides AT related training to agency counselors and staff.

Furthermore, BRS supports the VR program through four initiatives funded through a Medicaid Infrastructure Grant (MIG), including:

- Project Search described above;
- the corporate job development program that assists BRS to establish partnerships with businesses;
- the Work Incentive Planning and Assistance Program (WIPA), which assists individuals with disabilities in understanding and accessing Social Security work incentives; and
- ongoing support for the Benefits Information Network through a contract with the Indiana Institute on Disability and Community (IIDC) at Indiana University.

Personnel

At the time of the review, BRS employed a total of 316 full-time employees, including nine administrative staff and 24 support staff at the central office; five regional managers; 28 supervisors including 25 area office supervisors; two statewide employment innovation supervisors and one statewide training supervisor; 165 VR counselors and 85 field secretaries who provide administrative support to VR counselors.

Indiana has adopted the national standard established by the Committee on Certification of Rehabilitation Counselors as its personnel standard through which VR counselors are deemed qualified under the comprehensive system of personnel development. Of the 182 personnel, including VR counselors and supervisors, who perform the non-delegable functions of a qualified VR counselor employed by the agency, 16 individuals do not meet the standard and are on a plan to meet the standard by December 31, 2012.

BRS continuously encounters difficulties in recruiting and retaining qualified professionals, particularly in the rural areas of the state. The agency estimates that approximately 34 percent of all staff will be eligible for retirement by 2010, including 90 (47 percent) of the current VR counselors, area supervisors and regional managers. BRS is developing tracking mechanisms to assess the impact of retirement and staff turnover on staffing and the delivery of VR services.

The agency has developed a leadership academy through a contractual agreement with the Indiana Institute on Disability and Community (IIDC) of Indiana University. The leadership academy has developed ongoing training programs, including VR counselor orientation (online course for new counselors), core level courses, and advanced courses for BRS employees.

Data Management

BRS uses a ten-year old case management system, a revised version of a purchased software package. The system has been modified since its purchase and VR counselors and other staff can access it from the field to enter case information.

BRS uses data to manage the agency's operations through reports generated using the information contained in its case management system. The reports are generated for different periods based on the users' needs including monthly and quarterly reports. They are used by supervisors to review the case work of counselors, by Regional Managers to review office and

counselor activities and by central office staff to review agency-wide activities. Most of the reports are available on-line in real time.

Quality Assurance

In FY 2004, BRS implemented a QA system for service record reviews. This system provides for the review of each case at the supervisory level. Procedures are in place to ensure the consistent conduct of these reviews by supervisors within and across regions. Supervisors provide information to regional managers regarding the results of the case record reviews to determine systemic issues related to policy implementation and procedural accuracy. Regional managers report issues and trends to the director of field services. The training manager develops training to address issues and trends identified during the case record review process.

At the time of the review, BRS was preparing to implement a second level of QA designed to address specific questions regarding the overall performance of the agency. This process will be conducted on an ongoing basis to identify trends and systemic issues related to designed inquiries.

BRS also maintains a system of QA to monitor the performance of CRPs and other providers. Reports have been designed to capture specific performance related data and are made available to counselors, supervisors, and management. These reports are used by VR counselors to assist clients with selecting service providers. In addition, these reports are used in quarterly meetings with providers.

Planning

BRS conducts planning through the development of the VR state plan. Specific goals, objectives and strategies are developed in collaboration with the SRC during the development of the VR state plan and as an ongoing function of the monitoring and implementation of the plan during the program year. Goal monitoring and plan revisions are accomplished throughout the program year in close collaboration with the SRC.

VR and SE Programs TA Provided to BRS During the Review Process

RSA provided VR and SE program TA to BRS during the review process regarding:

- revisions to the agency's policy manual covering such topics as exceptions to policies that place limitations on service delivery, trial work experiences, eligibility determination, the annual review of individual plans for employment (IPE), home and vehicle modifications and post employment services;
- the implementation of virtual office including the risk of not conducting pilots and comparative analyses of both the current and new case management and service delivery systems;
- use of RSA's management information system (MIS), including all program data availability, locating RSA monitoring tables, standards and indicator data, agency report

cards, performing ad hoc queries of agency performance as well as performance of other agencies;

- use of the establishment authority, services to groups, third-party cooperative arrangements and comparisons of the related federal regulatory requirements;
- assessment and analysis of the effectiveness of the agency's FY 2004 Corrective Action Plan;
- development of the FY 2010 state plan attachments 4.11(c)(1) and 4.11(e)(2) and the online submission process;
- standards established in BRS's CSPD, and the agency's specific actions to hire and train personnel to meet the established standard; and
- coding of the RSA-911 form, as well as the reporting of services that are not paid for directly by the agency.

Observations of BRS and Its Stakeholders about the Performance of the VR and SE Programs

RSA solicited input from BRS and a wide range of its stakeholders about the performance of the VR and SE programs. BRS and its stakeholders shared the following observations:

- referrals and applications are processed in a timely manner;
- there is a lack of vocational guidance and counseling provided to VR program participants;
- counselors have the authority to alter or delete case notes after the entry date;
- there is a need to strengthen communication between the leadership staff and VR counselors in order to consistently implement agency policies and procedures;
- there is a need for more consistent guidance for self-employment, postsecondary education, and vehicular and home modifications;
- BRS should provide more consistent information regarding due process rights and advocacy programs;
- there is a need to increase outreach to underserved minority populations in both rural and urban areas;
- communication should be strengthened between the case managers and the VR counselors in order to increase services and employment outcomes for transition-age youths;
- although referrals of transition age-youths have been increased, employment outcomes among this population have declined;
- the allocation of VR funding for transition services has been significantly increased to CRPs; however, the CRPs have not expanded or improved transition services for cases that have been closed since the school-to work transition program was developed;
- the state plan does not effectively track the agency's strategic goals and priorities; and
- the involvement of stakeholders in the development of the VR state plan should be increased, to include greater coordination between the SILC and the SRC.

RSA discussed the observations of its stakeholders with BRS and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

Continuing Education Needs of BRS Staff

RSA solicited input from BRS to identify the following continuing education needs of its staff:

- facilitating organizational change and agency communication;
- team building; and
- establishment projects.

RSA solicited input from the agency's stakeholders to identify the following continuing education needs of BRS staff:

- targeted outreach;
- vocational guidance and counseling;
- the provision of post secondary education and self-employment services;
- job development and placement; and
- due process rights and procedures.

VR and SE Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to BRS about these observations. BRS responded to each of the recommendations and in those instances when RSA and BRS agreed upon a recommendation, RSA and BRS identified the technical assistance that RSA would provide to BRS to successfully implement the recommendation.

1. Employment Outcomes

Observation: From FY 2005 to FY 2008, the number of individuals who achieved employment decreased. In addition, from FY 2005 to FY 2007, the overall percentage of individuals not employed at application who achieved employment was below the national average of all combined agencies. Finally, the overall average hourly wage earned by individuals who achieved employment and were not employed at application, was not commensurate with the average hourly wage earned by individuals who achieved employment and were employed at application from FY 2003 to FY 2007.

- From FY 2006 through FY 2008, BRS did not meet the required performance level for Indicator 1.1, that is the difference in the number of individuals who achieve employment outcomes from the prior year. As shown in Table 2.2 below, individuals achieved 345 fewer employment outcomes from FY 2005 to FY 2006. The decline in performance continued and in FY 2008, 653 fewer individuals achieved employment than in FY 2007.
- As shown in Table 2.2 below, the number of successful employment outcomes declined from 5,616 individuals in FY 2006, to 4,393 in FY 2008. Based on the data found in Table 2.2, with respect to the agency's performance on Indicator 1.2, the number of individuals who did not achieve employment outcomes after receiving services increased from 3,873 in FY 2006, to 4,090 in FY 2008.
- Also as shown in Table 2.2, the agency's rehabilitation rate (as measured by Indicator 1.2) declined from 59.18 percent in FY 2006 to 51.79 percent in FY 2008, when BRS failed to meet the required performance level of 55.8 percent for this Indicator. As

shown in Table 2.2 below, BRS did not meet the required performance levels for Performance Indicator 1.6 (difference between the percentage of individuals self-supporting at closure and application) from FY 2004 through FY 2008. In each of these years, the agency's performance fell significantly below the required performance level of 53 percent, ranging from 35.03 percent in FY 2004, to 39.68 percent in FY 2008.

Table 2.2
BRS Standard 1 Indicators for 1.1, 1.2 and 1.6 for FY 2004 through FY 2008

Indicators	2004	2005	2006	2007	2008
Indicator 1.1					
Difference in the number of individuals with employment outcomes from prior year for general and combined agencies or prior two years for blind agencies					
Current year employment outcomes	5,021	5,961	5,616	5,046	4,393
Prior year employment outcomes	4,818	5,021	5,961	5,616	5,046
RSA Minimum Performance Level: Equal or exceed	203	940	-345	-570	-653
Indicator 1.2					
Percent with employment outcomes after services					
Employment outcomes	5,021	5,961	5,616	5,046	4,393
Individuals served	8,983	12,133	9,489	8,669	8,483
RSA Minimum Performance Level: 55.8%	55.89%	49.13%	59.18%	58.21%	51.79%
Indicator 1.6					
Difference Between Percent Self-Supporting at Closure and Application					
Competitive Employment Outcomes	4,761	5,699	5,388	4,874	4,254
Primary Support is Own Income at Application	2,092	2,676	2,453	1,725	1,409
Percent self-support at application	43.94%	46.96%	45.53%	35.39%	33.1
Primary Support is Own Income at Closure	3,760	4,593	4,280	3,686	3,097
Percent self-support at closure	78.98%	80.59%	79.44%	75.63%	72.8%
RSA Minimum Performance Level: 53.0	35.03%	33.64%	33.91%	40.23%	39.68%

- In part, the agency's performance on Indicator 1.6 may be attributed to the percentage of individuals who received services and were working at the time of application. In FY 2007, 41.5 percent of all individuals who achieved an employment outcome were employed at the time of application, compared to 27.8 percent for the national average for all combined agencies (see Table 2.3).
- In FY 2007, the average hourly wage for individuals employed at application who achieved employment was \$13.94 compared to the average hourly wage of \$8.05 for individuals who were not employed at application and whose cases were closed after the achievement of employment.
- The employment rate is significantly higher for individuals who were employed at application when compared to individuals who were not employed at application. As shown in Table 2.3 below, in FY 2007, the employment rate for individuals employed at application was 78.8 percent, compared to 49.3 percent for those not employed at the time of application.
- The average hourly wage at closure is significantly lower for individuals not employed at application when compared to individuals employed at application. From FY 2003 to FY 2007, the average hourly wage for all individuals who achieved employment and were not employed at the time of application earned between 37.59 percent and 44.56 percent

less per hour when compared to individuals who achieved employment and were employed at application.

Table 2.3
BRS Comparison of Individuals Served Who Were Employed with Earnings at Application to Those Not Employed at Application for IN-C for FY 2003 through FY 2007

Performance Elements	2003	2004	2005	2006	2007	Combined Agency Average 2007
Individuals Employed With Earnings at Application						
Number of Employment Outcomes	2,352	2,508	3,101	2,823	2,063	806
Number Without Employment Outcomes	661	694	1,079	638	555	219
Number Served	3,013	3,202	4,180	3,461	2,618	1,026
Employment Rate	78.1%	78.3%	74.2%	81.6%	78.8%	68.3%
Average Hourly Wage at Closure for Individuals With Employment Outcomes	\$12.21	\$13.17	\$13.59	\$14.25	\$13.94	\$12.30
Percent of Individuals*	49.8%	51.9%	53.6%	51.5%	41.5%	27.8%
Individuals Who Were Not Employed or Had No Earnings at Application						
Number of Employment Outcomes	2,465	2,513	2,860	2,793	2,983	2,192
Number Without Employment Outcomes	3,148	3,268	5,093	3,235	3,068	1,827
Number Served	5,613	5,781	7,953	6,028	6,051	4,019
Employment Rate	43.9%	43.5%	36.0%	46.3%	49.3%	56.7%
Average Hourly Wage at Closure for Individuals With Employment Outcomes	\$7.62	\$7.50	\$7.69	\$7.90	\$8.05	\$9.26
Percent of Individuals*	48.2%	46.7%	45.6%	47.2%	57.3%	71.8%

*Does not include extended employment outcomes

- The percentages of individuals who received services and did not have employment at application were also significantly lower when compared to its peers and the national average for all combined agencies (see table 2.4).
- From FY 2005 to FY 2007, the percentage of individuals with a significant disability who achieved competitive employment increased from 68.96 percent to 76.88 percent, but remains below the average of its peers¹ at 93.93 percent and the national average for all combined agencies at 92.13 percent. As shown in Table 2.4 for FY 2007, 86.6 percent of individuals who achieved employment did not have a significant disability and were

¹ Peers refer to the following combined agencies: Alabama, Arizona, Tennessee and Wisconsin. These agencies received a grant award amount of similar size to BRS.

employed at application. Conversely, 70.2 percent of the individuals who achieved employment had a significant disability and were not employed at application.

Table 2.4
BRS Closure Performance for Individuals with and without Employment at Application for FY 2007

Performance Elements	Closed with employment with a significant disability – number	Closed with employment with a significant disability – percent	Closed with employment without a significant disability – number	Closed with employment without a significant disability – percent
BRS – with employment at application	1,161	29.8%	996	86.6%
BRS – without employment at application	2,735	70.2%	154	13.4%
Average of peers – with employment at application	736	21.1%	73	33.8%
Average of peers – without employment at application	2,956	78.9%	208	66.2%
National Total for Combined Agencies – with employment at application	52,287	27.5%	8,413	54.6%
National Total for Combined Agencies – without employment at application	137,740	72.5%	7,007	45.4%

Recommendation 1: RSA recommends that BRS:

- 1.1 develop measurable goals and strategies to improve the agency's employment rate;
- 1.2 develop goals and strategies to increase the number of individuals served who are not employed at application and achieve employment outcomes;
- 1.3 develop goals and strategies to identify and increase the quality and quantity of employment outcomes for individuals with most significant disabilities; and
- 1.4 develop strategies to increase wage levels for the disability populations served by the agency, explore relevant training and education to increase wages, and expand relationships with employers throughout the state.

Agency Response

1. 1 Since the review team visited in May, BRS has implemented measurable goals and strategies to improve the agency's employment rate, as outlined in the approved FY 2010 VR State Plan. Attachment 4.11(c)(1) "State Goals and Priorities," addresses the agency goal/objectives. Beginning in January 2010, BRS will work with VR staff, advocates, the

Commission, and providers to develop additional strategies to improve the effectiveness of the Results Based Funding (RBF) system. These modifications will be reflected in the FY 2011 VR State Plan.

- 1.2 BRS will continue to implement strategies to improve employment outcomes, including outcomes for individuals not employed at application. Additionally, BRS will implement strategies to increase outreach to Social Security Recipients and ticket holders. Beginning in January 2010, BRS will work with VR staff, advocates, the Rehabilitation Services Commission (RSC), and providers to develop modifications to the RBF system. These modifications will be reflected in the FY 2011 VR State Plan.
- 1.3 BRS will build upon the existing goals and strategies to enhance performance in the quantity and quality of employment outcomes for individuals with the most significant disabilities when developing the FY 2011 VR State Plan. These strategies will be a part of the process described in the Agency Response to Recommendations 1.1 and 1.2 above.
- 1.4 BRS will include in the FY 2011 VR State Plan an expansion of relationships with employers throughout the state through Corporate Job Development and Project SEARCH. BRS will continue to manage Indiana's Medicaid Infrastructure Grant (MIG) which supports several initiatives aimed at improving employment opportunities for individuals with disabilities. BRS will work with Indiana Workforce Development to identify training and education opportunities for consumers. Corporate Job Development, Project SEARCH, and MIG initiatives are addressed in the FY 2010 VR State Plan and are ongoing initiatives.

Technical Assistance: BRS may request technical assistance.

2. Transition Services

Observation: Although BRS invested significant financial resources in its transition projects with CRPs, in addition to its expenditures for case services, the agency's performance with respect to the number of transition-age youths served, rehabilitation rate, and the overall number of employment outcomes declined. The quality of employment outcomes did not improve substantially from FY 2005 to FY 2007 and was not comparable to the national performance of combined agencies.

- BRS provides VR services to transition-age youths through a number of initiatives. VR counselors, assigned to each high school across the state, collaborate with the public school system (PSS) to provide enhanced transition services through establishment projects, known as the school-to-work transition programs. In addition, BRS has established Project SEARCH sites that offer work experiences to transition-age youths while attending high school.
- The current school-to-work transition program was developed in FY 2006 and implemented in FY 2007, and provides transition programs through 34 projects throughout the state with CRPs and PSS, that serves school districts in 90 out of the 92 counties in Indiana. BRS funds CRPs to function as one of many points of entry into the adult rehabilitation system and to act in the capacity of liaisons between the PSS and VR systems.
- During the on-site portion of the monitoring review, BRS reported it evaluates the success of

the school-to-work transition program through the analysis of the total number of transition-age youths referred to the VR program, rather than the total number of transition-age youths served, the rehabilitation rate and the quality of employment outcomes.

- Services provided by CRPs include: mentoring of school personnel (job coaches), training school personnel in reference to transition services, benefits planning, person-centered planning, connection to VR, orientation and mobility training, development of a transition guide and assistance with Medicaid waiver applications. Services are provided to students that have not been referred to the VR program, as well as to students who have been referred to the program, those who are applicants for VR services and to those receiving services.
- As demonstrated in Table 2.5 below, the overall number of referrals submitted to BRS from elementary/secondary schools and CRPs decreased from FY 2005 to FY 2008 for closed cases. Although the overall number of referrals from CRPs to BRS decreased from 215 in FY 2003 to 198 in FY 2008, on-site BRS reported it received 949 referrals of transition-age youths from the 34 transition projects with CRPs in FY 2007.

Table 2.5
BRS Number of Transition-Age Youths Referral Sources for Individuals Closed Who Received Services from FY 2003 to FY 2008

Transition-Age Youths Referral Sources	2003	2004	2005	2006	2007	2008
<u>BRS</u>						
Number of referrals from elementary/secondary schools	828	760	1,060	847	852	849
Number of referrals from CRPs	215	212	265	206	207	198

- As shown in Table 2.6 below, BRS received 37 percent of its referrals from elementary/secondary schools in FY 2007. Although this was the largest referral source for BRS in FY 2007, this percentage was substantially smaller than the percentage of referrals received from elementary/secondary schools for other combined agencies (50 percent).

Table 2.6
BRS Percentage of Transition-Age Youths Referral Sources for Individuals Whose Cases Were Closed after Receiving Services from FY 2003 through FY 2007

Transition-Age Youths Referral Sources	2003	2004	2005	2006	2007
<u>BRS</u>					
Percent of referrals from elementary/secondary schools	39.2%	37.8%	36.8%	36.5%	37.1%
Percent of referrals from CRPs	10.2%	10.5%	9.2%	8.9%	9.0%8.9%
<u>Combined Agencies</u>					
Percent of referrals from elementary/secondary schools	50.4%	49.9%	49.8%	50.4%	50.7%
Percent of referrals from CRPs	5.8%	6.2%	6.3%	6.0%	6.3%

- As demonstrated in Table 2.7, the percentage of transition-age youths served to the total percentage of individuals served increased four percent from 22.4 percent in FY

2004, to 26.6 percent in FY 2008. In FY 2007, BRS served a smaller population of transition-age youths to the total population served at 26.5 percent when compared to the average of 34.95 percent of the total population served by combined agencies.

- The total number of transition-age youths served decreased from 2,877 in FY 2005, to 2,257 in FY 2008 (see Table 2.7 below).
- The number of transition-age youths who exited with an employment outcome decreased from 1,215 in FY 2007 to 1,041 in FY 2008, as indicated in Table 2.7. However, the overall percentage of transition-age youths who achieved employment in an integrated setting and with competitive employment increased from FY 2003 to FY 2008.
- The overall percentage of transition-age youths who achieved supported employment decreased from 28.5 percent in FY 2003 to 21 percent in FY 2008. BRS assisted a greater percentage of transition-age youths with achieving supported employment when compared to the average of 8.9 percent for combined agencies (See Table 2.7 below).
- The employment rate increased from 39.83 percent in FY 2005 to 52.9 percent in FY 2007. However, the rate declined in FY 2008 to 46.12 percent, as shown in Table 2.7 below. In addition, the employment rate for transition-age youths in Indiana remained below the national average of 59.78 percent for combined agencies in FY 2007.

Table 2.7
BRS Transition Population Served (Ages 14-24), Age at Application, for
FY 2003 through FY 2008

Employment and service indicators	2003	2004	2005	2006	2007	National Combined Agencies 2007	2008
Transition Youths							
Exited with an employment outcome	1,011	941	1,146	1,178	1,215	33,719	1,041
Total served	2,113	2,010	2,877	2,320	2,297	56,408	2,257
Percent of Transition Youths served to total population served	24.49%	22.38%	23.71%	24.45%	26.50%	34.95%	26.61%
Employment Rate	47.85%	46.82%	39.83%	50.78%	52.90%	59.78%	46.12%
Percent of Transition Youths who achieved competitive employment	97.6%	99.4%	99.7%	99.7%	99.8%	97.5%	99.5%
Percent of Transition Youths who achieved employment in an integrated setting	70.7%	70.4%	73.3%	73.7%	77.0%	89.7%	78.3%
Percent of Transition Youths who achieved supported employment	28.5%	28.7%	26.3%	26.0%	22.7%	8.9%	21.0%

- BRS communicated its initiative to improve the quality of employment outcomes in its state plan and it demonstrated an increase in the overall number of transition-age youths who achieved competitive employment at 35 or more hours per week and competitive employment with employer-provided medical insurance from FY 2003 to FY 2007.

- The overall average hourly earnings for competitive employment outcomes increased from \$8.06 in FY 2003 to \$8.43 in FY 2007. Although BRS increased its average hourly earnings by 4.7 percent from FY 2003 to FY 2007, the national averages for combined agencies increased by ten percent. Table 2.8, below, compares quality employment outcomes of BRS and the national averages for combined agencies.

Table 2.8
BRS Quality of Competitive Employment Outcomes for Transition Youth (ages 14-24) for
FY 2003 through FY 2007

Performance Measures for Transition population	2003	2004	2005	2006	2007	Change from 2003
Average hourly earnings for competitive employment outcomes						
BRS	\$8.06	\$8.20	\$8.19	\$8.27	\$8.43	4.7%
Combined Agencies	\$8.28	\$8.40	\$8.60	\$8.86	\$9.10	10.0%
Average hours worked per week for competitive employment outcomes						
BRS	29.31	28.41	29.16	28.31	28.43	-3.0%
Combined Agencies	32.72	32.69	32.75	32.70	32.49	-0.7%
Closed with competitive employment outcomes at 35 or more hours per week						
BRS	458	416	545	508	540	17.9%
Percent	46.4%	44.5%	47.7%	43.2%	44.6%	-1.8%
Combined Agencies	18,543	18,791	19,188	19,529	18,699	0.8%
Percent	57.9%	57.9%	58.1%	57.8%	56.9%	-1.1%
Closed with competitive employment outcomes with employment employer-provided medical insurance						
BRS	350	201	220	283	361	3.1%
Percent	35.5%	21.5%	19.3%	24.1%	29.8%	-5.7%
Combined Agencies	9,663	9,902	10,350	10,650	10,258	6.2%
Percent	30.2%	30.5%	31.4%	31.5%	31.2%	1.0%

- As shown in Table 2.9 below, Indiana spent a substantially greater amount for transition-age youths who achieved employment outcomes, competitive employment outcomes and those who did not achieve employment outcomes when compared to the averages of combined agencies from FY 2003 to FY 2007. In FY 2007, Indiana expended \$10,321.87 per employment outcome compared to the average amount of \$6,339.63 expended by other combined agencies.

Table 2.9
BRS Transition Age Youths Average and Median Cost of Purchased Services for
Individuals Served Whose Cases Were Closed from FY 2003 through FY 2007

Employment Types	2003	2004	2005	2006	2007
Average for Agency					
Employment Outcome	\$9,377.54	\$9,845.77	\$10,408.82	\$10,127.44	\$10,321.87
Without Employment Outcome	\$5,562.70	\$6,392.36	\$5,510.02	\$5,737.31	\$5,902.94
Competitive Employment Outcome	\$9,354.39	\$9,871.55	\$10,405.38	\$10,065.32	\$10,309.75
Combined Agencies Averages					
Employment Outcome	\$5,248.52	\$5,506.74	\$5,866.67	\$5,955.89	\$6,339.63
Without Employment Outcome	\$3,168.77	\$3,096.37	\$3,325.44	\$3,177.56	\$3,356.29
Competitive Employment Outcome	\$5,169.34	\$5,468.61	\$5,838.80	\$5,939.17	\$6,311.95

- The expenditures for employment outcomes increased from \$9,377.54 in FY 2003 to \$10,321.87 in FY 2007.
- The overall number and percentage of transition-age youths who received assessment services and vocational guidance and counseling increased from FY 2003 to FY 2007, while the overall number of individuals who received on-the-job supports increased from FY 2004 to FY 2007. However, BRS provided a smaller percentage of transition-age youths with assessment, vocational guidance and counseling, job search assistance and job placement when compared to other combined agencies (see Table 2.10).

Table 2.10
BRS Selected Services Provided to Transition Age Youths from FY 2003 through FY 2007

Services	2003	2004	2005	2006	2007	Combined Agencies 2007
Total Number of Served Individuals	2,113	2,010	2,877	2,320	2,297	56,408
Assessment Services	1,189	1,098	1,534	1,271	1,348	39,353
Percent	56.3%	54.6%	53.3%	54.8%	58.7%	69.8%
Vocational Rehabilitation Counseling and Guidance	0	0	0	9	49	40,707
Percent	0.0%	0.0%	0.0%	0.4%	2.1%	72.2%
Job Search Assistance	5	4	2	2	1	18,551
Percent	0.2%	0.2%	0.1%	0.1%	0.0%	32.9%
Job Placement Assistance	486	532	617	514	272	20,944
Percent	23.0%	26.5%	21.4%	22.2%	11.8%	37.1%
On-the-job-Supports	773	716	982	933	1169	11,437
Percent	36.6%	35.6%	34.1%	40.2%	50.9%	20.3%

- Stakeholders and BRS staff communicated concerns regarding resource allocation, the lack of services provided, and employment outcomes, as well as increased costs for services as a result of the school-to-work transition programming. Staff communicated that local needs

assessments were not conducted to identify the need for transition contracts across the state or to determine the configuration and structure of contracts specific to community needs. In addition, it was shared that some transition contracts were very valuable, while other contracts generated inappropriate referrals and replicated the efforts of VR staff.

- The number of transition-age youths who exited without an employment outcome after eligibility, but before an IPE was signed, increased from 883 in FY 2006 to 1,031 in FY 2007 (See Table 2.11 below). In FY 2007, 26 percent of individuals whose cases were closed from eligibility prior to the development of an IPE was higher than the national average for combined agencies at 21.8 percent.

Table 2.11
BRS Transition-Age Youths Whose Cases Were Closed After Eligibility, Prior to the Development of an IPE Compared to Combined Agencies for FY 2006 through FY 2007

Closure Type for All Transition-Age Youths Closed	2006	2007
<u>BRS</u>		
Number who exited without an employment outcome, after eligibility, but before an IPE was signed	883	1,031
Percent who exited without an employment outcome, after eligibility, but before an IPE was signed	22.8%	26.0%
<u>Combined Agencies</u>		
Number who exited without an employment outcome, after eligibility, but before an IPE was signed		20,725
Percent who exited without an employment outcome, after eligibility, but before an IPE was signed		21.8%

Recommendation 2: RSA recommends that BRS:

- 2.1 analyze the decline in the number of referrals received from referral sources, transition-age youths served, transition-age youths who achieved employment outcomes, and the employment rate to determine the reasons underlying this decline in performance;
- 2.2 analyze and evaluate the expenditures for employment and competitive employment outcomes achieved by transition-age youths, and purchased services to determine how BRS can maximize case expenditures for employment outcomes;
- 2.3 develop measurable goals to increase the number of transition-age youths served, the number who achieve employment outcomes, average hours worked per week and the employment rate, along with strategies to achieve these goals;
- 2.4 analyze how data are coded to effectively report the services provided through BRS staff and CRPs to transition-age youths to improve the efficiency and effectiveness of the transition programs; and
- 2.5 develop goals and strategies to decrease the percentage of transition-age youths whose cases are closed without achieving employment and prior to receiving services.

Agency Response:

- 2.1 BRS has already taken action to proceed with the recommended analysis, to include: number of transition referrals, number of transition-age youths served, number of transition-age youths employed, and employment rate. The BRS analysis of transition cases will encompass open and closed cases. Additional strategies, as appropriate, will be included in the FY 2011 VR State Plan.
- 2.2 In addition to expanding relationships with employers throughout the state through Corporate Job Development initiatives, BRS will begin a process for analysis and evaluation of expenditures for competitive employment outcomes achieved by transition-age youths. BRS is reviewing the RBF process to support higher hourly wages as well as increased hours of employment for consumers. This issue will be a part of the process described in the agency response to Recommendations 1.1 and 1.2 above.
- 2.3 BRS will continue to work with stakeholders to develop additional strategies to meet the goal of increasing the number of transition-age youths who achieve successful employment outcomes. Additionally, as noted in the approved FY 2010 VR State Plan, BRS will increase transition-age youths who apply for services by 5 percent, through increased partnerships with Indiana High Schools and the Indiana Department of Education, in FY 2010 from the previous year.
- 2.4 As a result of discussion with RSA during the on-site monitoring review, and the RSA Recommendation 2.4, BRS will evaluate and if necessary, amend crosswalks for vendor and service coding, to ensure accurate reporting. Data collection will include services provided without cost to BRS. Crosswalk review and coding modifications will be completed prior to the FY 2010 RSA-911/RSA-2 reporting cycle.
- 2.5 BRS will provide additional training and guidance to all VR field staff by June 2010 on successful strategies for serving transition-age youths, including increased follow through from application to closure, especially for consumers who lack support networks. Area supervisors will be expected to provide leadership in implementing strategies identified in the training. BRS' goal is to decrease the percentage of unsuccessful closures by 5 percent in FY 2010, which will also be included in the FY 2011 VR State Plan.

Technical Assistance: BRS may request technical assistance for 2.1 through 2.4. BRS does not request technical assistance for 2.5.

3. Policy Development and Consistent Statewide Implementation

Observation: BRS staff and stakeholders reported that BRS would benefit from more consistent implementation of policies and procedures throughout the agency's field offices, enabling the agency to improve the effectiveness and efficiency of case management, service delivery, the quantity and quality of employment outcomes.

- In FY 2007, BRS undertook the development of a revised policy and procedures manual in order to consolidate individual issuances of policy memoranda including program directives; update existing policies in accordance with federal regulations, agency initiatives and appeals and include newly drafted policies. BRS hired a consultant and established a policy review committee comprised of a regional manager, field supervisor and counselor, agency

leadership staff, the CAP and SRC to review and provide consultation to agency leadership. In addition, policy work groups were developed to identify and analyze policy issues. Interviews were conducted with field staff to identify issues that staff experienced statewide. The revisions process resulted in the publication of a draft policy manual on the agency's website in May, 2009. BRS invited comment through the website and held public forums as required by federal regulations.

- Currently, BRS is revising specific policies contained in the draft manual based on public comment and feedback received from RSA during the monitoring review. In addition, BRS will be including the addition of exceptions to policies and hyperlinks to inter-related areas. BRS reported that nine draft chapters were submitted to the CAP and SRC for review, feedback and revisions. Once finalized, the agency will publish the manual on its website, for access by the public, and through its intranet and case management system for use by the staff.
- BRS Management staff e-mail policy directives and updates to all agency staff and provide the information on BRS's intranet. Agency field staff indicated postings on the intranet are not provided with explanatory guidance. In addition, staff reported the need to have a mailbox to post policy inquiries to ensure consistent policy interpretation statewide.
- New and revised policy trainings are delivered regionally to staff through workgroups across the state and are facilitated by the VR Field Services Director. In addition, Regional Managers conduct monthly meetings with supervisors, who train field staff on a monthly basis. BRS offers on-line policy refresher courses to all staff.
- Staff and stakeholders indicated that policies are interpreted and implemented inconsistently across the state. They expressed concerns regarding the limited opportunities for mentoring by more experienced colleagues that will result from the implementation of the agency's virtual office.
- Staff also reported the need for and provision of mentoring opportunities, on-going training and communication regarding policy interpretation and implementation.

Recommendation 3: RSA recommends that BRS:

- 3.1 develop strategies to provide consistent guidance and training to field offices. Such strategies could include the use of BRS's intranet to post policy questions and guidance, and the identification of a lead person to respond to policy questions and improve the consistency of policy interpretation and implementation; and
- 3.2 evaluate the effectiveness of current new counselor and policy trainings in order to develop a training plan for staff involved in the interpretation and implementation of the revised policy and procedures manual including mentoring and on-going training opportunities for staff.

Agency Response:

- 3.1 The creation of a web-based policy question/answer system will be completed by April, 2010 by the VRS Training Coordinator. The Policy and Procedure Manual (PPM) will be reviewed on an annual basis, in conjunction with the State Plan revisions, to determine necessary revisions. If revisions are necessary, the SRC and other constituents will be asked for input, and public hearings will be held prior to any published changes. The

BRS Director of Policy and Planning will maintain oversight responsibilities for this project.

- 3.2 The PPM is currently being revised, to make it more functional for staff and public use, and several new chapters will be added. Working with the SRC to finalize the PPM, a draft will be published for comments and public hearings in the spring of 2010, with the final document completed by June 30, 2010. Any changes will be incorporated into the appropriate Leadership Academy training curriculum. VR field staff has been a key part of the development of this new PPM.

Technical Assistance: BRS does not request technical assistance.

4. BRS Communication

Observation: BRS's internal communication, particularly communication between the agency administrator and field professional staff, can be enhanced to improve the performance of the agency's initiatives and programming.

- The BRS field staff requested increased dialogue regarding the agency's implementation and progress of new initiatives. Field staff stated that they became aware of the agency initiatives after the decisions were made and they were not given the opportunity to provide input or feedback prior to the implementation.
- Staff expressed the need for the agency administrator and the leadership to listen to the field staff members who have the knowledge of the needs for VR services in the community before a decision is made for agency initiatives that will affect VR service delivery and the allocation of resources.
- Staff expressed the lack of guidance regarding the process of implementation and progress reports in reference to initiatives in order to utilize the protocol and procedures staff are to implement. Staff communicated that providing field staff with this information would increase consistent implementation of initiatives across the state.
- Field staff and stakeholders communicated that the current BRS communication system is a top-down management structure with communication that flows through the chain-of-command. In addition, staff and stakeholders shared that the communication system needs to be improved to allow for greater access to regional managers and the agency leadership in order to more effectively obtain staff feedback.

Recommendation 4: RSA recommends that BRS:

- 4.1 develop strategies to improve communication with field office staff regarding the development and progress of initiatives to enhance opportunities for staff input and feedback; and
- 4.2 evaluate the current communication system and develop management and leadership staff by field staff.

Agency Response:

- 4.1 Currently, BRS uses a 'chain of command' communication methodology. With the completion of the web-based policy question/answer system described in the agency response to Recommendation 3.1 above, staff will have additional opportunity for input and feedback. Additionally, the Leadership Academy has a built-in feedback mechanism at the end of every module.
- 4.2 The strategies as described above for the communication system will be evaluated by the leadership team every quarter to determine if the methods are effective in regard to staff input and feedback. The Director of Field Operations will be responsible to ensure there are effective communication networks between field staff and BRS/VR leadership. A series of forums will be held across the state in FY 2010 to further address communication issues.

Technical Assistance: BRS may request technical assistance.

5. Virtual Office

Observation: BRS is in the process of implementing a virtual office environment throughout the state and has not finalized policies and procedures for its implementation or completed case management enhancements.

- In FY 2009, BRS began converting its field offices to a virtual office environment. Virtual office is designed to enable VR counselors to work primarily in the community. BRS indicated that the virtual office project will save the agency administrative costs through the reduction of overhead and the elimination of administrative support staff, while increasing the access and availability of staff in the community without requiring consumers to come into a specific office.
- BRS written goals for the virtual office project include the consolidation of leasing between the VR offices and Bureau of Developmental Disability Services (BDDS), the reduction of clerical staff by 25 individuals (within 3 years), and the reduction of leased space and related costs for VR offices by a minimum of 35 percent.
- BRS staff reported the virtual office project was implemented without a pilot office.
- BRS did not promulgate policies and procedures regarding the virtual office system prior to its implementation. As a result, staff and the administration report an inconsistent interpretation of the guidelines related to the virtual office system on a variety of topics, including the maximum number of days a counselor can work at the VR office, the conduct of meetings in individuals' homes, the process of obtaining supervisory approval for IPEs and purchase orders, and the effect on the timelines for and the provision of services.
- Counselors working in virtual offices reported inconsistent communication with CRPs, BRS consumers, and staff. Although each counselor working within a virtual office is provided a cell phone, most report that they do not give their cell number out to consumers. In addition, counselors report calls are directed to their voice mail and return messages only when working at the office. As a result, some telephone calls may not be returned but once a week.
- Counselors expressed concerns regarding the violation of confidentiality when meeting with individuals at various community locations. Staff reported they were required to utilize a

wide and diverse range of locations to meet with consumers, such as restaurants, coffee shops, public libraries, One-Stop offices, CRP's sites and individual's homes. Many of the counselors communicated concern about the consumer's confidentiality when meeting in various public places since many of the meeting locations are visible and within hearing range of the general public. In addition, the counselors stated concerns related to the potential conflict of interest by meeting with consumers at CRP's sites, particularly when discussing the services or availability of other CRP's that provide similar services.

- BRS enhanced its case management system (IRIS) in preparation for the implementation of virtual office. Currently, counselors access IRIS outside the field office and in the community through the use of a web-based system and have necessary hardware, which includes laptops and air cards. BRS developed the design and concepts required for staff to effectively work in a virtual office environment, but there remains a number of enhancements that will not be implemented until sometime after virtual office is fully executed including but not limited to:
 - the addition of digital signatures through digital signature pads is in the design phase. Currently, a counselor working with a consumer in the community must print out forms requiring a signature and have the necessary parties sign the form or document. If the form requires supervisory approval, as required for all IPEs, the counselors must bring the form and paper file to the office for review. BRS staff reported that this process has added additional time, sometimes more than a week, before an individual's vocational plan is approved and delays the receipt of services.
 - movement to a paperless system. One of the primary goals of the virtual office is to eventually have all cases paperless. This will require all documents received in hard copy to be scanned into the document imaging management system and integrated into the case management system through an application program interface technology. Currently, all of the active cases require a hard copy file to maintain any paper documents and the case management system has not been upgraded with this technology, nor have any of these documents been scanned in preparation of this enhancement. The current plan is to have all documents scanned into a PDF format, which will not be accessible to individuals utilizing screen reading technology.
 - the incorporation of electronically available standardized forms. Many of the forms used by staff have been added to the case management system, but the system does not include several forms that are regularly utilized by counselors. Staff reported that the combination of the absence of electronic forms and consumer's medical, psychological and vocational evaluation documentation, generally available only in hard copy, delays their ability to make referrals to CRPs on a regular basis.

Recommendation 5: RSA recommends that BRS:

- 5.1 develop and finalize policies and procedures related to the virtual office system and conduct training for all staff to ensure that the virtual office system is executed in a consistent and effective manner;
- 5.2 ensure that staff are aware of the procedures and effective practices used to maintain regular contact with consumers and stakeholders, including the appropriate use of cell phones and timelines for responding to voice mail;

- 5.3 clarify policies related to locations for staff to meet with consumers that ensure confidentiality, professionalism, accessibility, and prevent conflict of interest;
- 5.4 develop strategies to address the limitations of its case management system in the context of the virtual office environment to prevent any delays in the provision of services;
- 5.5 utilize a scanning format for any documents submitted in hard copy that will be accessible to all staff, including those requiring screen reading technology; and
- 5.6 survey staff already working in the virtual office system to understand the barriers, challenges and benefits that they experience. The staff surveyed should include secretaries, counselors, supervisors, and district administrators.

Agency Response:

- 5.1 In June 2009, the 'Virtual Office Guidance Manual' was distributed to all staff. By June 2010, the document imaging project will be complete and additional training will occur regarding the use of this technology. The Leadership Academy will be updated to include information and training on the virtual office system. The BRS Director has appointed a leadership team to oversee the second phase of the Virtual Office project. This leadership team is providing guidance on active case file imaging, staff training needs, policy and procedure development, and hardware/software issues.
- 5.2 The current practice of planning for, then maintaining contact with consumers and stakeholders, will continue to be the expectation once the virtual office system is complete in FY 2010. As outlined in the 'Virtual Office Guidance Manual', VR Area Supervisors will be expected to monitor staff to ensure continuous consumer services. The Coordinator of Training and Professional Development is available to work individually with staff who require additional assistance in ensuring appropriate consumer contact. Additionally, the IRIS system contains excellent case management reports and tools that can be accessed from remote locations.
- 5.3 The Virtual Office Guidance Manual, distributed in June 2009, addresses each of the areas (confidentiality, professionalism, accessibility, and the prevention of conflict of interest) listed in Recommendation 5.3. As staff are becoming familiar with the Virtual Office system there has been a decrease in the number of complaints from counselors who initially experienced some difficulty in finding meeting locations. Area supervisors are the first to learn of issues, and are expected to respond to any issues regarding accessibility, conflict of interest, etc. The Director of Field Operations will be responsible for Virtual Office oversight after full implementation.
- 5.4 The files that were maintained in central office have been imaged and are available electronically. BRS will develop and implement strategies to address identified limitations through development of a web-based application for IRIS by the end of FY 2011. Virtual Office implementation and effectiveness will be an ongoing process priority for BRS Leadership Team meetings.
- 5.5 BRS recognizes that specific staff members require individualized adaptive technology, and will work to identify specialized needs and appropriate, reasonable accommodations for those individuals. This is an ongoing process.
- 5.6 BRS will, as stated in the agency response to Recommendation 4.2 above, evaluate the current communication system and develop strategies to increase the access to management and leadership staff by field staff. Pertinent and current staff questions or suggestions,

survey responses, etc. on Virtual Office or any other subject obtained through the series of forums, will then be addressed. The survey will be conducted no later than April 2010. This give staff time to adjust to their new environment and for VR administration to ‘work out the bugs’ in the system. Results and changes identified by the survey will be shared with VR staff.

Technical Assistance: BRS does not request Technical Assistance.

6. Discrepancies in and Accuracy of Reported Data

Observation: When analyzing Indiana BRS’s RSA-911 FY 2007 data against national figures and averages for combined agencies, RSA discovered large discrepancies between the percentage of individuals who received specific services from BRS compared to national averages of combined agencies (See Table 2.12 below). In addition, BRS reported that it under-reports services provided due to the current coding and crosswalk systems used to convert data reported to RSA.

- In FY 2007, BRS provided a substantially smaller percentage of individuals with vocational counseling and guidance, on-the-job training, job readiness training, job search assistance, information and referrals and maintenance when compared to the average percentage of individuals served by combined agencies (see Table 2.12 below).

Table 2.12
BRS Services Compared to National Averages for Combined Agencies in FY 2007

Service	2007	National Combined Agencies 2007
Assessment	62.4%	71.8%
Diagnosis and treatment of impairments	23.0%	41.7%
Vocational rehabilitation counseling and guidance	1.3%	72.7%
College or university training	11.9%	15.5%
On the job training	0.5%	3.8%
Job readiness training	0.2%	16.8%
Miscellaneous training	7.5%	13.1%
Job search assistance	0.1%	31.5%
Job placement assistance	13.7%	35.3%
Transportation	15.8%	32.9%
Maintenance	4.1%	15.0%
Information and referral	0.0%	17.8%
Other	18.8%	31.5%

- BRS reported its case management system, from which the RSA-911 is generated, only captures services that are purchased resulting in an understatement of services provided. In addition, BRS indicated the current case management system does not include comparable benefits and services; nor does it include services provided directly by BRS.
- The current coding system does not capture or report services provided directly by BRS, nor does it accurately report the services purchased from services providers.
- BRS reported it implemented Results Based Funding (RBF), a milestone payment method, to reimburse CRPs that provide services to consumers. BRS utilizes a crosswalk to convert date elements from its system to the RSA-911 that combines or groups several types of services into one RBF fiscal code. As a result, the group coding has an impact on the reporting of individual services.
- BRS indicated to RSA that its current system reflects numerous codes that are grouped together in order to report services within the 22 codes reflected in the RSA-911.
- Services that are under-reported whether provided directly or indirectly by BRS include job readiness training, job search assistance, job placement and on the job training.

Recommendation 6: RSA recommends that BRS:

- 6.1 evaluate the current crosswalk or system BRS utilizes to accurately report data to RSA and develop strategies to ensure the accurate reporting of data to include services provided without cost to BRS;
- 6.2 provide BRS staff with necessary training on case management system edits and procedures to record and report accurate information; and
- 6.3 evaluate supervisor's review of case management reports to ensure compliance with proper coding.

Agency Response:

- 6.1 BRS is working with a vendor to correct codification issues to ensure accurate reporting of data for the next FY 2010 RSA-911/RSA-2 reporting cycle.
- 6.2 BRS will provide training to all staff on the need for accurate reporting of data in IRIS and the implications of inaccurate reporting, by April 2010. A corresponding training module in the Leadership Academy will be added to the Advanced Level Course.
- 6.3 BRS will evaluate existing management reports to ensure proper coding. If needed, report modifications or additional reports will be recommended. BRS currently reviews RSA-911 error reports on a monthly schedule. BRS will ensure that any related new reports, or report modifications, are added to the regular report review schedules as needed.

Technical Assistance: BRS does not request Technical Assistance for 6.1 or 6.2. BRS may request Technical Assistance for 6.3.

VR and SE Compliance Findings and Corrective Actions

RSA identified the following compliance finding and corrective action that BRS is required to undertake. BRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for

completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and is available to provide TA to assist BRS.

1. Unallowable Arbitrary Limits on Services Established in Policies

Legal Requirement: Federal regulations at 34 CFR 361.50 (a) prohibit a state from implementing written policies that “establish arbitrary limits on the nature and scope of vocational rehabilitation services to be provided to the individual to achieve an employment outcome.” In addition, 34 CFR 361.50 requires states to permit exceptions to policy limitations to ensure the needs of individuals are addressed.

Compliance Finding 1: BRS has implemented written policies limiting the nature and scope of vocational rehabilitation services throughout its policy and procedure manual including, but not limited to:

- prohibiting the provision of post-employment services for the purpose of job retention or advancement in employment (Prohibited Uses of Post-Employment Services Section 490.14); and the limitation of interpreter and reader services which are defined as auxiliary aids and services in the federal regulations (Supporting Service Limitations Section 584-1.06);
- prohibiting the purchase of vehicles requiring titling or operator’s license regardless of whether it is for personal or business use (Prohibited Services Section 452.07 (3)(A); Small Business Enterprise (SBE) Outcomes Section 550.65; Prohibited Uses of Program Transportation Section 582.11);
- prohibiting specific services such as routine medical care including, but not limited to, medical, visual or dental check-ups (Specific Service Prohibitions Section 520.11(3));
- limiting the number of home modifications to no more than one of each: bathroom, kitchen or bedroom (Section 591.05 (2) Specific Types of Modifications Permitted (c)).

In addition, BRS does not have written policies that govern an exceptions process to, “ensure that the provision of services is based on the rehabilitation needs of each individual as identified in that individual’s IPE and is consistent with the individual’s informed choice” per 34 CFR 361.50(a).

Federal regulations at 34 CFR 361.50(a) requires BRS to implement written policies that ensures that the provision of VR services is based on the rehabilitation needs of the individual with a disability, as identified on the individual’s IPE. The written policies may not impose arbitrary limits on the nature and scope of the VR services to be provided to an individual to achieve an employment outcome (*Id.*). The written policies must be consistent with the requirements set forth at 34 CFR 361.50(b) through (e). The amounts BRS will pay for services may not be so low as to effectively deny an individual a service or be absolute and not permit exceptions to ensure the individual’s needs are met (34 CFR 361.50(c)(2)). According to the information we reviewed, BRS has established written policies that impose arbitrary limits on the types of services that will be provided. As such, BRS has failed to comply with the requirements of 34 CFR 361.50.

Corrective Action 1: BRS must:

- 1.1 revise its policies to comply with 34 CFR 361.50 by eliminating arbitrary limits on the nature and scope of vocational rehabilitation services;
- 1.2 ensure that the revised policies are based on an individual's needs and permit exceptions to the policies so that individual needs can be met; and
- 1.3 submit copies of the revised written policies to RSA for review.

Agency Response: By the end of FY 2010, BRS will revise its policies to comply with 34 CFR 361.50 (a). These policy revisions will be reviewed in concert with the annual state plan review process. With the exception of limits specifically imposed by federal regulations, all VR services that will aid consumers to achieve their employment outcomes will be available. Where select services are not typically provided, BRS's policies will be amended to include a provision for exceptions under extraordinary circumstances.

RSA Response: In its corrective action plan, BRS must describe the steps it is taking to complete revisions to its written policies regarding arbitrary limits on the nature and scope of vocational rehabilitation services in compliance with 34 CFR 361.50. RSA will provide technical assistance, as needed, upon request.

Technical Assistance: BRS may request technical assistance.

CHAPTER 3: FISCAL MANAGEMENT OF BRS VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, INDEPENDENT LIVING, AND OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS

RSA reviewed BRS' fiscal management of the VR, SE, IL, and OIB programs. During the review process RSA provided TA to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency's cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices, and financial management systems.

Fiscal Management

The data in the following table, taken from fiscal reports submitted by the state agencies, speak to the overall fiscal performance of the agency. The data related to matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The maintenance of effort (MOE) requirement data are taken from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which it is compared). Fiscal data related to administration, total expenditures, and administrative cost percentage are taken from the RSA-2.

Table 3.1
Fiscal Data for BRS for FY 2004 through FY 2008

Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	60,435,379	61,487,904	63,748,728	66,226,265	66,660,094
Required Match	16,356,716	16,641,580	17,253,468	17,924,008	18,041,423
Federal Expenditures	60,387,305	61,047,470	58,622,557	66,226,265	66,660,094
Actual Match	16,343,705	16,522,378	15,880,622	17,924,009	18,041,423
Over (Under) Match	13,011	119,202	1,372,846	1	0
Carryover at 9/30 (year one)	0	0	0	0	0
Program Income	96,300	870,158	235,028	536,159	167,593
MOE Requirement	15,828,363	16,083,950	16,343,705	16,522,378	15,880,622
Administrative Costs	3,459,210	3,584,172	3,589,624	3,489,557	4,214,013
*Total Expenditures	77,646,889	78,857,849	81,182,196	84,895,206	121,175,576
Percent Admin Costs to Total Expenditures	4.46%	4.55%	4.42%	4.11%	3.48%

*Includes SE Program Expenditures.

Explanations Applicable to the Fiscal Profile Table (See Table 3.1 above)

Grant Amount:

The amounts shown represent the final award for each fiscal year, and reflect any adjustments for MOE penalties, reductions for grant funds voluntarily relinquished through the reallocation process, or additional grant funds received through the reallocation process.

Match (Non-Federal Expenditures):

The non-federal share of expenditures in the Basic Support Program, other than for the construction of a facility related to a community rehabilitation program, was established in the 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR Program. (34 CFR 361.60(a) and (b); 34 CFR 80.24)

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources, and the projected amount of state appropriated funds available for match in each federal fiscal year. The accuracy of expenditure information previously reported in financial and program reports submitted to RSA was also reviewed.

Carryover:

Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). Either expending or obligating the non-federal share of program expenditures by this deadline may meet this carryover requirement.

In reviewing compliance with the carryover requirement, RSA examined documentation supporting expenditure and unliquidated obligation information previously reported to RSA to substantiate the extent to which the state was entitled to use any federal funds remaining at the end of the fiscal year for which the funds were appropriated.

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated community rehabilitation program. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies), sources and use of generated income.

Maintenance of Effort (MOE):

The 1992 amendments revised the requirements in section 111(a)(2)(B)(ii) of the Act with respect to MOE provisions. Effective federal FY 1993 and each federal fiscal year thereafter, the MOE level is based on state expenditures under the Title I state plan from non-federal sources for the federal fiscal year two years earlier. States must meet this prior year expenditure level to avoid monetary sanctions outlined in 34 CFR 361.62(a)(1). The match and MOE requirements are two separate requirements. Each must be met by the state.

In reviewing compliance with this requirement, RSA examined documentation supporting fiscal year-end and final non-federal expenditures previously reported for each grant year.

Administrative Costs:

Administrative costs means expenditures incurred in the performance of administrative functions including expenses related to program planning, development, monitoring and evaluation. More detail related to expenditures that should be classified as administrative costs is found in VR Program regulations at 34 CFR 361.5(b)(2).

Fiscal Technical Assistance Provided to BRS During the Review Process

RSA provided VR, SE, IL, and OIB program technical assistance to BRS during the review process regarding the:

- RSA's assessment of the agency's compliance with specific financial requirements, including match, MOE, carryover, reallocation, program income, liquidation of outstanding obligations, and grant closeout;
- training in the basic financial requirements of RSA-funded formula grant programs, which included: RSA organizational structure, guidance and reference materials (including OMB Circulars), innovation and expansion expenditures, allotment process, match, maintenance of effort, program income, liquidation of obligations, carryover, reallocation process, procurement, property management, records retention, reversion to donor, audit requirements, and financial and statistical reports;
- completion of financial reports and the federal fiscal year to which expenditures should be reported;
- Connecticut (G)'s approach to financial planning that was presented at the FY 2008 National Financial and Data Conference to allow FSSA/BRS to see the advantages of long-range planning and the approach that this VR agency has taken to carry out these responsibilities and protect the financial solvency of the program; and accounting for and reporting year-end unliquidated federal and non-federal obligations;
- documentation required to support year-end non-federal expenditures and unliquidated obligations;

- requirement to report all costs incurred by the state that are allowable and allocable to the State VR Services Program to accurately determine the maintenance of effort requirement applicable to each fiscal year and compliance with this requirement;
- timing of non-federal expenditures to meet State VR Services Program match and maintenance of effort requirements;
- OMB Circular A-87 time distribution documentation requirements applicable to staff working on more than one program (federal and/or state);
- OMB Circular A-87 semi-annual certification requirement applicable to staff charging 100 percent of their salary costs to one federal grant program;
- federal requirements applicable to the timely and accurate submission of financial and statistical reports (SF-269 and RSA-2) and BRS' responsibility for the verification of reported information in each formula grant program (VR, SE, IL-Part B and OIB);
- reallocation process and strategies for requesting and utilizing one-time federal funds made available through this process;
- BRS' contracting practices, oversight/monitoring responsibilities and use of sole source procurement authority;
- Education Department General Administrative Regulations prohibiting granting State VR Services Program funds unless authorized under this program's statute/regulations;
- purpose and use of the establishment authority to expand consumer services and establish, develop or improve community rehabilitation programs;
- financial requirements applicable to providing services to groups of individuals;
- State VR Services Program's prohibition against reversion to donor and internal controls to prevent entering into financial arrangements with community rehabilitation programs that may circumvent this requirement; and
- BRS' practices of accounting for administrative costs by further allocating some of these costs to service delivery cost centers that have led to underreporting administrative costs on the RSA-2 report.

Observations of BRS about the Fiscal Management Performance of the VR, SE, IL, and OIB Programs

RSA solicited input from BRS and a wide range of its stakeholders about the performance of the VR, SE, IL, and OIB programs. The BRS and its stakeholders shared the following observations:

- BRS does not have complete control over the financial aspects of VR programs, including the: 1) sources and utilization of program funds/resources; 2) budget; 3) reporting of program expenditures; and 4) verification of reported expenditures/obligations and unobligated balances;
- FSSA staff were unaware of the complexities of managing the fiscal aspects of RSA-formula grant programs (VR, SE, IL Part B, and OIB);
- BRS has an excellent working relationship with INARF/ARFIN and its community partners;
- community rehabilitation programs are struggling financially and could not continue providing match for establishment "grants" which would continuously escalate; and

- although CRPs have established an excellent relationship with some transition program school partners through establishment “grants,” they have “barely been able to get in the door at others.”

RSA discussed the observations of its stakeholders with BRS and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

VR, SE, IL, and OIB Programs’ Fiscal Management Performance Observations and RSA Recommendations

RSA identified the following fiscal performance observations and made recommendations to BRS about those observations. BRS responded to each of the recommendations and in those instances when RSA and BRS agreed upon a recommendation, RSA and BRS identified the TA that RSA would provide to BRS to successfully implement the recommendation.

1. Financial Planning

Observation: BRS’ financial planning process is not clearly defined and consists mainly of the development of the agency’s yearly budget, which is only one of the components of financial planning.

From discussions with BRS’ financial and management staff, there is no evidence that the agency’s financial planning process is all inclusive and takes into consideration the resources needed to achieve the: 1) state plan and strategic plan goals; 2) innovation and expansion activities; 3) projected federal and state financial resources and reductions within the federal fiscal year for which state funds are appropriated; 4) staffing plans; 5) state spending restrictions; 6) number of consumers projected to be served each fiscal year; 7) cost of serving these consumers; or 8) projected cost and financial impact of prior year commitments for individualized plans for employment (IPEs) on the current fiscal year and future funding periods.

Unlike budgets, financial plans are usually for multi-year periods, cover all programs that are administered by the agency, and are continuously revised to adjust for changes to individual program goals, priorities and resources. They reflect the values of the agency and bring the agency closer toward meeting stated goals. Funding strategies may be included to maximize available resources and ensure that sufficient resources are available to meet these goals without relying on state resources intended for future funding periods.

Developing and implementing a structured financial planning process is vital for any VR agency to effectively manage program resources. Developing and implementing this process in BRS is critical since:

- Financial responsibilities for budgeting, recording expenditures and obligations, and preparing reports, are fragmented within FSSA and assigned to staff that do not have a clear understanding of the requirements of RSA-funded formula grant programs.
- Information provided to FSSA from BRS’ case management system to use in reporting expenditures for consumer services is also not accurate. As a result, BRS does not have

complete information related to total program resources, commitments, ability to capture additional funds through the reallocation process each fiscal year, federal funds actually carried over for use in the next fiscal year, year-end unliquidated obligations, subsequent cancellation of unliquidated obligations, or the ability to re-commit these funds. Reliable financial information is the foundation for short and long-term financial planning.

- FSSA and BRS staff informed RSA that sufficient non-federal resources are available to meet the FY 2009 non-federal share of expenditures (match) and the maintenance of effort requirement applicable to the State VR Services Program, but neither could provide any definitive information related to the total amount of available resources and the source(s) of these funds.
- BRS has expended considerable State VR Services Program funds for establishment projects, beginning with FY 2006. As currently communicated to CRPs, in the first year of these projects, they are required to provide the match for the federal funds used under this authority. Neither FSSA nor BRS could explain what actually happened to the matching funds after they were collected by ARFIN/Smart Partners and sent to FSSA/BRS. BRS maintains that the agency has had sufficient state match each year to meet State VR Services Program match and maintenance of effort requirements and did not rely on match received through the agency's use of the establishment authority. This assertion could not be confirmed by RSA.
- What is unknown by BRS, from a fiscal planning standpoint, and what needs to be known, is whether the match collected was actually used to meet match and maintenance of effort requirements, or whether the collection of match from outside sources actually increased the resources available to the State VR Services Program. From discussions with staff throughout the review, if this resulted in increased resources available to the program, BRS appeared unaware of the availability of additional program resources. Further, FSSA staff responsible for the preparation of financial reports also seemed unaware of their existence.

Recommendation 1: The RSA recommends that the BRS:

- 1.1 develop and implement a multi-year financial planning process that, at a minimum, projects: 1) anticipated financial resources (federal and non-federal); 2) plans for the utilization of available resources or documents the need for additional resources; 3) administrative (including indirect) expenses; 4) staff salaries, fringe benefits and overhead costs; 5) innovation and expansion activities; 6) state plan goals and strategies; and 7) costs related to providing services to program consumers. This plan should be updated on a regular basis and become a valuable program management tool;
- 1.2 strengthen the financial planning and forecasting skills of financial and program staff responsible for these activities.

Agency Response:

- 1.1 BRS, in coordination with DDRS' Controller's Office, FSSA's Financial Reporting and Analysis Department, and FSSA's Accounting Operations Unit, is developing a financial flow and review process for BRS programs. Collectively this group is developing a routine

tracking management system that will be incorporated into a multi-year financial planning process and on-going management tracking system.

- 1.2 Members of the financial services and programmatic staff will work closely together to provide financial planning and forecasting on a monthly basis. Technical Assistance will be requested as needed to enhance financial planning and forecasting skills.

Technical Assistance: BRS may request technical assistance.

RSA Response: RSA appreciates the efforts that BRS has undertaken to implement the recommendations and will provide technical assistance upon further request.

2. Reallotment

Observation: Procedures are not in place to ensure that, toward the end of each fiscal year, the BRS assesses its needs for additional federal funds, the agency's ability to match additional funds that may be needed, or takes the steps to release unneeded funds (or funds that cannot be matched) through the reallotment process. In February 2009, BRS submitted a final SF-269 to RSA for FY 2006, returning \$5,126,171 to the U.S. Treasury. If this amount is determined to be correct after RSA's review and acceptance of revised financial reports for FY 2006, with appropriate accountability over program funds, \$5,126,171 in federal funds that were unspent by BRS could have been identified in a timely manner and returned for use by other VR agencies having a need for and requesting additional funds.

Recommendation 2: The RSA recommends that BRS institute procedures to ensure that federal funds that cannot be used by the agency are identified in a timely manner and released through the reallotment process each fiscal year.

Agency Response: See Agency Response to Fiscal Recommendations 1.1 and 1.2 above. A fiscal procedural manual is being developed to outline the monthly monitoring of funds and fiscal operational procedures. This manual will be the responsibility of the DDRS Controller's office, with review and approval of the BRS Program Director, DDRS Administrative Staff, Federal Funding, and Financial Management teams.

Technical Assistance: BRS does not request technical assistance.

VR, SE, IL, and OIB Programs' Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that BRS is required to undertake. BRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist BRS.

1. Financial and Statistical Reporting

Legal Requirements:

34 CFR 361.12 states:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20, in pertinent part, states:

- (a) A State must [expend] and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State... must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Finding: After reviewing the SF-269s and the RSA-2s for the last several years, RSA has concluded:

1. FSSA, on behalf of DDRS/BRS (see Finding 4 below for a more detailed discussion as to why FSSA, and not DDRS or BRS was submitting these reports) has consistently failed to submit the SF-269 and RSA-2 reports in a timely manner. For example, the FY 2008 RSA-2 report, due December 31, 2008, was not submitted until March 16, 2009. The RSA-2s for FY 2006 and FY 2007 also were submitted late. RSA has noted an improvement in the timely submission of the SF-269 since the FY 2008 third quarter submission (period ending June 30, 2008).
2. FSSA, on behalf of DDRS/BRS, has frequently submitted inaccurate amounts for expenditures, unliquidated obligations, and program income on its SF-269s and RSA-2s. For example:
 - a. Obligations incurred, but not yet liquidated, in FYs 1997 and 2000 through 2003 were reported on the SF-269 inaccurately. They were reported on the Final SF-269 for FY 2004 as having been incurred in FY 2004 because that was the year the obligations were liquidated. Title I VR grant funds must be expended or obligated in the fiscal year in which the funds are awarded, or in the next fiscal year if the requirements for carrying over funds has been satisfied (sections 19 and 111(a)(1) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), 34 CFR 361.64). The SF-269 instructions reinforce this by instructing grantees to report the total amount of expenditures, including unliquidated obligations, incurred for the fiscal year in which they were incurred.

- b. The FY 2008 RSA-2 reported \$35 million more in expenditures than the total amount of Federal and State resources available to DDRS/BRS that year.
 - c. FSSA, on behalf of DDRS/BRS, reported that it had transferred \$717,130 of the \$870,158 in program income that it had received under the VR program in FY 2005 to its IL-Part B program; however, FSSA failed to report receipt of that transfer of program income on the IL-Part B FY 2005 SF-269. In fact, FSSA reported that the IL-Part B program received \$0 in program income that year. In FY 2006, FSSA continued to report the same \$717,130 in program income as being transferred to the IL program from the VR program, as though the transfer occurred again in FY 2006, whereas the VR program actually only received \$235,028 in program income that year, and thus, would not have had sufficient program income funds to make another such large transfer. Finally, FSSA reported that the IL-Part B program had received \$400,003 in program income as a transfer from the VR program in FY 2006 when, in fact, it had received \$0 program income from the VR program that year. The IL-Part B program actually had received a transfer of program income in FY 2005, as just discussed, in an amount different from that reported on the FY 2006 SF-269. Depending on the resolution of these reported program income inaccuracies, it is possible that DDRS/BRS will have undisbursed program income from those years that will need to be returned to the Federal government.
3. The centralization of all financial management functions within FSSA, with little to no involvement by DDRS/BRS, resulted in SF-269s and RSA-2s being submitted late and with inaccurate information. Despite the centralization of these functions, RSA noted that FSSA, DDRS and BRS lacked internal controls to ensure that the reports are submitted timely and accurately. For example:
- a. No one within DDRS or BRS has the responsibility for tracking VR expenditures and obligations, Federal drawdowns, match sources, or total resources available to the VR program. Instead, FSSA performs these functions. As a result, neither DDRS nor BRS has the information or supporting documentation to use to ensure the data on the report are accurate.
 - b. No one within DDRS or BRS has the responsibility for reviewing and verifying the accuracy of the information contained in the SF-269s and RSA-2s before they are submitted to RSA by FSSA on their behalf.
 - c. DDRS and BRS do not maintain a system for retaining supporting documentation of unliquidated obligations reported to RSA on the year-end SF-269s since FY 2005:
 - 1. FY 2005 -- \$16,261,668
 - 2. FY 2006 -- \$27,781,674
 - 3. FY 2007 -- \$27,184,048
 - 4. FY 2008 -- \$28,971,514
 - d. DDRS lacks sufficient internal controls to ensure that the State has sufficiently matched Federal funds in order to carry over those funds into the next fiscal year, as required by section 19 of the Rehabilitation Act and 34 CFR 361.64.
 - e. According to the final SF-269 for FY 2006, submitted in February 2009, the State of Indiana returned \$5,126,171 in Federal VR funds to the U.S. Treasury for failure to liquidate an obligation that was properly obligated by the end of FY 2006.

Federal regulations require DDRS and BRS, as the State grantee for the VR program, to have mechanisms in place to ensure the accurate accounting and reporting of grant activities (34 CFR 361.12 and 34 CFR 80.20). While neither the Rehabilitation Act nor its implementing regulations prohibit FSSA from centralizing certain administrative functions for the programs under its purview, it is still the responsibility of the VR grantee, DDRS/BRS, to ensure that all requirements of the VR program are satisfied. DDRS/BRS has failed to comply with this requirement by routinely allowing untimely and inaccurate SF-269s and RSA-2s to be submitted on its behalf by FSSA, and not having internal controls in place to ensure the accuracy of the information included in the reports. Due to the inaccuracy of the financial information contained in these reports for FYs 2005 through 2008, RSA cannot determine whether DDRS/BRS: contributed sufficient non-Federal expenditures to satisfy the non-Federal share for the VR program; charged expenditures and obligations to the appropriate fiscal years; accurately accounted for program income; complied with the requirements to carry over Federal funds; and satisfied its maintenance of efforts obligations.

Corrective Action 1: DDRS/BRS must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that DDRS/BRS will ensure that future SF-269s and RSA-2s will report all financial activities completely, accurately, and in a timely manner, as required by 34 CFR 361.12 and 34 CFR 80.20;
- 1.2 revise the 4th quarter (for the period ending September 30) and subsequent SF-269s submitted for the VR program for FYs 2005 through 2008 to accurately report:
 - (a) the Federal and non-Federal expenditures and outlays;
 - (b) Federal and non-Federal obligations and unobligated balances;
 - (c) program income received, disbursed, and transferred; and
 - (d) innovation and expansion activity expenditures.
- 1.3 submit a plan, including a timeline, as to how DDRS, BRS, and FSSA will work together to implement internal controls to ensure that the reports are submitted accurately and timely. This plan must describe the mechanisms that will be implemented to ensure that VR expenditures and obligations are tracked and accounted accurately; supporting documentation is retained for all expenditures and obligations under the program; and the accuracy of information contained in financial and statistical reports is verified prior to submission to RSA.

RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response:

- 1.1 An assurance will be provided to RSA within 10 days of receipt of the FY09 Final Monitoring Report.
- 1.2 The 4th quarter SF 269 report for 9/30/08, as well as the subsequent 4th quarter reports back to 9/30/2005 will be resubmitted to accurately report (a)-(d) below.

- (a): Federal and non-Federal expenditures and outlays will be reviewed in detail and submitted correctly, if correction is needed, with the revised SF-269 reports mentioned in Corrective Action 1.2.
- (b): Federal and non-Federal obligations and unobligated balances will be reviewed in detail and submitted correctly, if correction is needed, with the revised SF-269 reports mentioned in Corrective Action 1.2.
- (c): Program income will be reviewed in detail and submitted correctly, if correction is needed, with the revised SF-269 reports mentioned in Corrective Action 1.2.
- (d): Innovation and expansion activity will be reviewed in detail and submitted correctly, if correction is needed, with the revised SF-269 reports mentioned in Corrective Action 1.2.

1.3 Please see Agency Response to Fiscal Recommendation 1.1 above.

RSA Response: RSA acknowledges the factual clarifications that BRS provided in a separate document to its agency response to the Draft Report. RSA has made the necessary factual changes and incorporated them, as appropriate, into the Final Report on this finding. In addition, RSA appreciates that BRS plans to work with DDRS and FSSA to make the necessary corrective actions outlined above. While BRS was explicit on how it intended to handle corrective actions 1.1 and 1.2 above, BRS did not provide specific information with regard to corrective action 1.3. RSA reminds BRS that it must comply with this latter corrective action as well when it submits its corrective action plan in response to the Final Report.

Technical Assistance: BRS does not request technical assistance for Corrective Action 1.1. BRS may request technical assistance for 1.3.

2. Incentive Payments to Community Rehabilitation Programs

Legal Requirements:

Section 111(a)(1) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and 34 CFR 361.3 of its implementing regulations require that Title I Vocational Rehabilitation (VR) program funds must be used solely to cover the costs of providing VR services and administering the VR program.

34 CFR 361.3 states:

Authorized activities.

The Secretary makes payments to a State to assist in--

- (a) The costs of providing [VR] services under the State plan; and
- (b) Administrative costs under the State plan.

34 CFR 361.5(b)(2) defines “administrative costs” for purposes of the VR program as those expenditures incurred in the performance of administrative functions under the VR program.

34 CFR 80.36(a), in pertinent part, states: “When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds....”

34 CFR 80.22 Allowable Costs

- (a)(1) Limitation on use of funds. Grant funds may only be used for the allowable costs of grantees....
- (b) For each kind of organization, there is a set of Federal principles for determining allowable costs....For costs of a State, local or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87....

OMB Circular A-87, Attachment A (2 CFR Part 225, Appendix A), section C, in pertinent part, states:

1. Factors affecting allowability of costs. To be allowable under federal awards, costs must meet the following general criteria:
 - (a) Be and reasonable for proper and efficient performance and administration of Federal awards.
 - (j) Be adequately documented.
2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:
 - a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
3. a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Finding: BRS contracts with community rehabilitation programs (CRPs) to provide services to VR consumers pursuant to approved Individualized Plans for Employment (IPEs). During RSA’s on-site monitoring review, CRP staff informed RSA that they expected to receive an “employment retention incentive” from BRS as their “share of the VR stimulus money.” According to the CRP staff, BRS planned to give them \$1,000 for each consumer who had: 1) been served by the CRP since July 1, 2006; 2) achieved competitive employment; 3) been employed for at least nine months as of December 31, 2008 (cumulative, not consecutive); and 4) his/her VR case closed during that same time period. The CRP staff stated that they were told that they would not be required to provide additional VR services to the consumers upon receipt of the additional money and there were no stipulations on the use of the funds. Finally, the CRP staff told RSA that if any consumer, whose case was closed, needed additional VR services, the CRPs would provide them as a “post-employment” service and would submit invoices to BRS for payment for those services. The \$1,000 “employment retention incentive” would not constitute payment for additional services if any were needed.

Subsequent to the on-site monitoring review, RSA sought additional information from BRS about the \$1,000 per consumer “employment retention incentive” that the CRP staff described. In particular, RSA sought information about the authority for BRS’ proposed action and the source of funding to be used. BRS confirmed that in FY 2009 it had made a one-time payment of \$1,634,000 in “incentives” to the CRPs for the 1,634 VR consumers served by those CRPs who met the criteria outlined above. BRS made these payments out of the VR funds available for consumer services. Prior to making the incentive payments, BRS amended its contracts with the CRPs to allow for these payments on the basis of past contract activities since these case files were closed and would remain closed.

BRS described the payments as “employment retention incentive” -- a means of increasing CRP efforts in assisting VR consumers achieve long-term employment outcomes. These incentive payments are part of a two-phase pilot project designed to boost CRP efforts due to the recent economic downturn. BRS said that the pilot is similar to an incentive-based payment method implemented by the Social Security Administration (SSA). The \$1,000 per consumer incentive payment is not for services to be performed, but rather a reward for finding long-term employment for VR consumers as far back as July 2006. If any of these consumers required additional services in order to maintain employment, the VR case file would be reopened and the CRP would be paid separately for these post-employment services.

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that VR funds be used solely for providing VR services and administering the VR program. Allowable services, under the VR program, are those that are provided to eligible consumers pursuant to an IPE (section 103(a) of the Rehabilitation Act and 34 CFR 361.48). According to the information provided by staff from the CRPs and BRS, these payments were not for the provision of VR services; the CRPs had already received payment for the services provided to the consumers while the individuals had open VR case files. Both parties confirmed that the CRPs were not required to provide additional services for those consumers upon receipt of the payments. If a consumer needed post-employment services, both BRS and the CRP staff confirmed that those services would be paid separately from these incentive payments. Therefore, these incentive payments do not constitute payments for VR services.

Allowable administrative costs, for purposes of the VR program, are those incurred in carrying out the administrative functions of the VR program, such as salaries, supplies, and building maintenance (34 CFR 361.5(b)(2)). Although there is nothing in the Rehabilitation Act, its implementing regulations, or the Federal cost principles of OMB Circular A-87 that specifically prohibits incentive payments, to be allowable any costs charged to the VR program must be necessary and reasonable for the proper and efficient performance and administration of the program. The “employment retention incentives” paid to the CRPs are not allowable administrative costs under the VR program because they were not ordinary and necessary for the administration of the program, and were paid after the services were rendered. The CRPs had already been fully compensated, in accordance with the agreed-upon terms in their contracts, for providing the VR services during the contract period. Subsequently and after the contract period had ended, BRS amended the contracts for the sole purpose of including these incentives payments. There was no determination between BRS and the CRPs, prior to the services being rendered, that the overall compensation for personal services (including any amounts for

incentive payments) was reasonable. Any incentive payments should have been negotiated through BRS' normal procurement process as part of the overall compensation amount included in the contract between BRS and a CRP.

Corrective Action 2: BRS must:

- 2.1 cease making future incentive payments with Title I VR funds;
- 2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that no charges have been made to the VR program for the retention incentive payments paid to CRPs that were based on closed consumer cases, and submit documentation that any charges made to the VR program for all or part of the \$1,634,000 discussed herein have been removed;
- 2.3 complete and submit the following table to provide RSA with information related to the retention incentive payments made to CRPs from FY 2009 funds for the quarters ending December 31, 2008, March 31, 2009, and June 30, 2009; and

Table 2.2
Indiana (C) Community Rehabilitation Retention Incentive Payments

A	B	C	D	E	F
FY 2009 Quarters Ending	Previously Reported Net Program Outlays	Total Retention Incentives Paid Per Reporting Quarter	Revised Net Program Outlays (Column B-C)	Any Funds Paid in Any of These Quarters From FY 2008 Funds (Yes or No)	Amount of Funds Paid Per Quarter from FY 2008 Funds
12/31/08	\$8,092,485				
03/31/09	\$26,849,272				
06/30/09	\$48,036,886				

- 2.4 submit revised FY 2009 Financial Status Reports for the quarters ending 12/31/08, 03/31/09, and 06/30/09 to reflect an adjustment total, net program outlays, and the Federal and non-Federal share of expenditures previously reported, in order to remove the \$1,634,000, previously reported for retention incentive payments to CRPs.

RSA reserves the right to pursue enforcement action it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response:

- 2.1 BRS has ceased making retention incentive payments.
- 2.2 BRS upholds that the retention incentive payments are allowable costs. Please see Agency Response to Fiscal Corrective Action 2.4 below.
- 2.3 BRS will provide a table and information to RSA related to retention incentive payments and requests consideration to BRS' Agency Response to Fiscal Corrective Action 2.4 below.
- 2.4 BRS upholds that the retention incentive payment was an allowable cost charged to the VR program. A critical component to Indiana VR's program performance and administration

is the effectiveness of the employment services infrastructure. The intention of the ‘retention incentive payments’ was to reinforce VR’s commitment to successful outcomes, and reduce the rate of consumers, especially Supported Employment consumers, returning to VR after successful case closure (BRS recidivism rate for Supported Employment is nearly 50%). Page 46 of the Draft Report (or page 42 of the Draft Report prior to BRS Agency Response), states: “Although there is nothing in the Rehabilitation Act, its implementing regulations, or the Federal cost principles of OMB Circular A-87 that specifically prohibits incentive payments, to be allowable any costs charged to the VR program must be necessary and reasonable for the proper and efficient performance and administration of the program.”

RSA Response: RSA acknowledges the technical clarifications, especially regarding specific terms used, that BRS provided in a separate document to its agency response to the Draft Report. RSA has made the necessary changes and incorporated them, as appropriate, into the Final Report on this finding.

RSA understands BRS’ position that the “retention incentive payments” are an important component of improving the effectiveness of the VR employment services infrastructure and reducing the recidivism rate of Supported Employment consumers. We appreciate that BRS has already ceased making additional incentive payments. We also agree, and we stated so in our Draft Report, that there is nothing in the Rehabilitation Act nor its implementing VR regulations that automatically excludes incentive payments as an allowable expenditure under the VR program. While incentive payments may be allowable under the VR program in some circumstances, the actual incentive payments made by BRS in FY 2009 were not allowable.

The problems with the incentive payments made by BRS were that:

1. the incentive payments were not included in the agreed upon compensation package contained in the original contract between BRS and the CRPs;
2. the VR cases, for which the incentive payments were made, were closed at some point between July 1, 2006 and December 31, 2008, and were still closed at the time the incentive payments were made in FY 2009;
3. BRS and the CRPs inappropriately amended the compensation terms of the contract, to include the incentive payments, long after the cases were closed; and
4. amending the contracts, in such a manner long after the services had been provided and the cases had been closed, undermines that competitive procurement process. Years ago when the services were provided, it is possible that other CRPs may have competed to provide VR employment services had they known that there was a possibility that an incentive payment would be made in the future.

For all of these reasons, as we stated in the Draft Report, the incentive payments made by BRS in FY 2009 do not constitute an “administrative cost,” for purposes of the VR program, because the expenditures were not incurred during the performance of administering the program (34 CFR 361.5(b)(2)). Furthermore, these payments do not satisfy the allowability test for expenditures, as described in OMB Circular A-87, Attachment A, Section C. Therefore, the finding stands and

BRS must satisfy corrective actions 2.2 through 2.4. We will provide technical assistance to BRS as needed upon request.

Technical Assistance: BRS may request technical assistance.

3. Unallowable Subgrants – ARFIN and its CRP Subgrantees

Legal Requirements:

Section 101(a)(15) of the Rehabilitation Act, in pertinent part, states:

- (A) Assessments and Estimates. – The State plan shall –
 - (i) include the results of a comprehensive, statewide assessment, jointly conducted by the designated State unit and the State Rehabilitation Council (if the State has such a Council) every three years, describing the rehabilitation needs of individuals with disabilities residing within the State...;
 - (ii) include an assessment of the need to establish, develop, or improve community rehabilitation programs within the State.
- (C) Goals and priorities. –
 - (i) In general. – The State plan shall identify the goals and priorities of the State in carrying out the program. The goals and priorities shall be jointly developed, agreed to, and reviewed annually by the designated State unit and the State Rehabilitation Council, if the State has such a Council. Any revisions to the goals and priorities shall be jointly agreed to by the designated State unit and the State Rehabilitation Council, if the State has such a Council. The State plan shall provide revisions in the goals and priorities, for any year in which the State revises the goals and priorities.
- (D) Strategies. – The State plan shall contain a description of the strategies the State will use to address the needs identified in the assessment conducted under subparagraph (A) and achieve the goals and priorities identified in subparagraph (C), including –
 - (i) the methods to be used to expand and improve services to individuals with disabilities...
 - (iii) where necessary, the plan of the State for establishing, developing, or improving community rehabilitation programs....

34 CFR 361.3 states that:

The Secretary makes payments to a State to assist in-

- (a) The costs of providing vocational rehabilitation services under the State plan; and
- (b) Administrative costs under the State plan.

34 CFR 361.4(a), in pertinent part, states that:

The following regulations apply to this program:

- (a) The Education Department General Administrative Regulations (EDGAR) as follows:
 - (2) 34 CFR part 76 (State-Administered Programs).
 - (5) 34 CFR part 80 (Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Government), except for §80.24(a)(2).

34 CFR 361.5(b)(9), in pertinent part, provides the following definition:

- (i) *Community rehabilitation program* means a program that provides directly or facilitates the provision of one or more...vocational rehabilitation services to individuals with disabilities to enable those individuals to maximize their opportunities for employment, including career advancement;
- (ii) For the purposes of this definition, the word *program* means an agency, organization, or institution, or unit of an agency, organization, or institution, that provides directly or facilitates the provision of vocational rehabilitation services as one of its major functions.

34 CFR 361.5(b)(17) provides the following definition:

Establishment, development, or improvement of a public or nonprofit community rehabilitation program means—

- (i) The establishment of a facility for a public or nonprofit community rehabilitation program as defined in paragraph (b)(18) of this section to provide vocational rehabilitation services to applicants or eligible individuals;
- (ii) Staffing, if necessary to establish, develop, or improve a community rehabilitation program for the purpose of providing vocational rehabilitation services to applicants or eligible individuals, for a maximum period of 4 years, with Federal financial participation available at the applicable matching rate for the following levels of staffing costs:
 - (A) 100 percent of staffing costs for the first year.
 - (B) 75 percent of staffing costs for the second year.
 - (C) 60 percent of staffing costs for the third year.
 - (D) 45 percent of staffing costs for the fourth year; and
- (iii) Other expenditures related to the establishment, development, or improvement of a community rehabilitation program that are necessary to make the program functional or increase its effectiveness in providing vocational rehabilitation services to applicants or eligible individuals, but are not ongoing operating expenses of the program.

34 CFR 361.5(b)(18), in pertinent part, provides the following definition:

Establishment of a facility for a public or nonprofit community rehabilitation program means-

- (v) The acquisition of fixed or movable equipment, including the costs of installation of the equipment, if necessary to establish, develop, or improve a community rehabilitation program.

34 CFR 361.12 states that:

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and [the VR program]. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 361.13(c), in pertinent part, states:

(c) *Responsibility for administration.*

(1) At a minimum, the following activities are the responsibility of the designated State unit or the sole local agency under the supervision of the State unit:

- (i) All decisions affecting eligibility for [VR] services, the nature and scope of available services, and the provision of those services.
- (iv) The allocation and expenditure of [VR] funds.

34 CFR 361.29, in pertinent part, states:

(a) *Comprehensive statewide assessment.* (1) The State plan must include –

- (i) The results of a comprehensive statewide assessment, jointly conducted by the designated State unit and the State Rehabilitation Council (if the State has such a Council), every 3 years describing the rehabilitation needs of individuals with disabilities residing within the State...; and
- (ii) An assessment of the need to establish, develop, or improve community rehabilitation programs within the State.

(c) *Goals and priorities* – (1) *In general.* The State plan must identify the goals and priorities of the State in carrying out the program.

(2) *Council.* The goals and priorities must be jointly developed, agreed to, reviewed annually, and, as necessary, revised by the designated State unit and the State Rehabilitation Council, if the State unit has a Council.

(d) *Strategies.* The State plan must describe the strategies the State will use to address the needs identified in the assessment conducted under paragraph (a) of this section and achieve the goals and priorities identified in paragraph (c) of this section, including –

- (1) The methods to be used to expand and improve services to individuals with disabilities...;
- (3) As applicable, the plan of the State for establishing, developing, or improving community rehabilitation programs....

34 CFR 361.35(a), in pertinent part, states that:

The State plan must assure that the State will reserve and use a portion of the funds allotted to the State under section 110 of the [Rehabilitation] Act—

- (1) For the development and implementation of innovative approaches to expand and improve the provision of vocational rehabilitation services to individuals with disabilities, particularly individuals with the most significant disabilities, consistent with the findings of the comprehensive, statewide assessment of the rehabilitation needs of individuals with disabilities under §361.29(a) and the State's goals and priorities under §361.29(c).

34 CFR 361.49, in pertinent part, states that:

(a) The designated State unit may also provide for the following vocational rehabilitation services for the benefit of groups of individuals with disabilities:

- (1) The establishment, development, or improvement of a public or other nonprofit community rehabilitation program that is used to provide vocational rehabilitation services that promote integration and competitive employment, including, under special circumstances, the construction of a facility for a public or nonprofit community rehabilitation program. Examples of "special circumstances" include the

destruction by natural disaster of the only available center serving an area or a State determination that construction is necessary in a rural area because no other public agencies or private nonprofit organizations are currently able to provide vocational rehabilitation services to individuals....

- (b) If the designated State unit provides for [VR] services to groups of individuals, it must –
 - (1) Develop and maintain written policies covering the nature and scope of each of the [VR] services it provides and the criteria under which each service is provided; and
 - (2) Maintain information to ensure the proper and efficient administration of those services in the form and detail and at the time required by the Secretary, including the types of services provided, the costs of those services, and, to the extent feasible, the numbers of individuals benefiting from those services.

34 CFR 361.60, in pertinent part, states:

- (a) *Federal share*—(1) *General*. Except as provided in paragraphs (a)(2) of this section, the Federal share for expenditures made by the State under the State plan, including expenditures for the provision of [VR] services and the administration of the State plan, is 78.7 percent.
- (b) *Non-Federal share*—(1) *General*. Except as provided in paragraph (b)(2) and (3) of this section, expenditures made under the State plan to meet the non-Federal share under this section must be consistent with provisions of 34 CFR 80.24.
 - (2) *Third party in-kind contributions*. Third party in-kind contributions specified in 34 CFR 80.24(a)(2) may not be used to meet the non-Federal share under this section.
 - (3) *Contributions by private entities*. Expenditures made from contributions by private organizations, agencies, or individuals that are deposited in the account of the State agency or sole local agency in accordance with State law and that are earmarked, under a condition imposed by the contributor, may be used as part of the non-Federal share under this section if the funds are earmarked for –
 - f. Meeting in whole or in part the State’s share for establishing a community rehabilitation program or constructing a particular facility for community rehabilitation program purposes;
 - g. Particular geographic areas within the State for any purpose under the State plan, other than those described in paragraph (b)(3)(i) of this section...; and
 - h. Any other purpose under the State plan, provided the expenditures do not benefit in any way the donor, an individual to whom the donor is related by blood or marriage or with whom the donor has a close personal relationship, or an individual, entity, or organization with whom the donor shares a financial interest. The Secretary does not consider the donor’s receipt from the State unit of a grant, subgrant, or contract with funds allotted under [the VR program] to be a benefit for purposes of this paragraph if the grant, subgrant, or contract is awarded under the State’s regular competitive procedures.

34 CFR 361.62(a), in pertinent part, states:

- (a) *General*. (1) The Secretary reduces the amount otherwise payable to a State for a fiscal year by the amount by which the total expenditures from non-Federal sources under the State plan for the previous fiscal year were less than the total of those expenditures for the fiscal year 2 years prior to the previous fiscal year.

- (2) If, at the time the Secretary makes a determination that a State has failed to meet its maintenance of effort requirements, it is too late for the Secretary to make a reduction in accordance with paragraph (a)(1) of this section, then the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance.

34 CFR 361.64 states:

- (a) Except as provided in paragraph (b) of this section, any Federal funds, including reallotted funds, that are appropriated for a fiscal year to carry out [the VR program] that are not obligated by the State by the beginning of the succeeding fiscal year and any program income received during a fiscal year that is not obligated by a State by the beginning of the succeeding fiscal year remain available for obligation by the State during that succeeding fiscal year.
- (b) Federal funds appropriated for a fiscal year remain available for obligation in the succeeding fiscal year only to the extent that the State met the matching requirement for those Federal funds by obligating, in accordance with 34 CFR 76.707, the non-Federal share in the fiscal year for which the funds were appropriated.

34 CFR 76.50, in pertinent part, states:

- (a) Under a program covered by [34 CFR part 76], the Secretary makes a grant:
 - (2) To the State agency designated by the State in accordance with the authorizing statute.
- (b) The authorizing statute determines the extent to which a State may:
 - (1) Use grant funds directly; and
 - (2) Make subgrants to eligible applicants.
- (c) The regulations in [34 CFR] part 76 on subgrants apply to a program only if subgrants are authorized under that program.

34 CFR 76.701 states that:

A State or a subgrantee shall directly administer or supervise the administration of each project.

34 CFR 76.702 states that:

A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds.

34 CFR 76.707, in pertinent part,, states that:

If the obligation is for --

- (c) Personal services by a contractor who is not an employee of the State or subgrantee, [t]he obligation is made [o]n the date on which the State or subgrantee makes a binding written commitment to obtain the work.
- (d) Performance of work other than personal services, [t]he obligation is made [o]n the date on which the State or subgrantee makes a binding written commitment to obtain the work.

34 CFR 80.3, in pertinent part, states:

As used in this part:

Contract means (except as used in the definitions for *grant* and *subgrant* in this section and except where qualified by *Federal*) a procurement contract under a grant or subgrant and means a procurement subcontract under a contract.

Grant means an award of financial assistance, including cooperative agreements, in the form of money...by the Federal government to an eligible grantee....

Grantee means the government to which a grant is awarded and which is accountable for the use of the funds provided....

Subgrant means an award of financial assistance in the form of money...made under a grant by a grantee to an eligible subgrantee. The term...does not include procurement purchases....

Subgrantee means the government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided.

34 CFR 80.20(a) states that:

- (a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.36(a), in pertinent part, states:

- (a) *States*. When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations....

34 CFR 80.40(a) states that:

- (a) *Monitoring by grantees*. Grantees are responsible for managing the day-to-day operations of the grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

OMB Circular A-87, Attachment A, Section C, in pertinent part, states:

- C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular.

- C.3.a. A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Background: In late FY 2006, DDRS/BRS was concerned that it would not be able to satisfy its match or maintenance of effort (MOE) requirements under the VR program that fiscal year. At the time, DDRS/BRS' records indicated that it would have a match deficit of \$1,419,000 and a MOE deficit (as compared to non-Federal expenditures in FY 2004) of \$7 million. BRS cited the following reasons for the decrease in non-Federal expenditures that year: 1) BRS implemented initiatives to improve counselor efficiency and accountability, resulting in a caseload drop of 16 percent; and 2) BRS aggressively pursued initiatives to move services to the private sector, resulting in reduced leased office space when the Bosma Rehabilitation Center for Blind and Visually-Impaired Persons was out-sourced. In light of these non-Federal deficits, DDRS/BRS awarded "establishment grants" as a means of obligating the VR funds quickly and incurring sufficient non-Federal expenditures to satisfy both its match and MOE requirements prior to the end of FY 2006.

Since late FY 2006, DDRS (the designated State agency for the VR program), on behalf of BRS (the designated State unit for the VR program), has entered into grant agreements with the Association of Rehabilitation Facilities of Indiana (ARFIN) to distribute VR funds to that entity. In turn, the grant agreements required ARFIN to use those funds to award subgrants to nonprofit community rehabilitation programs (CRPs), chosen by BRS, to establish, develop, or improve CRPs pursuant to section 103(b)(2)(A) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and 34 CFR 361.49(a)(1). The grant agreements prohibited the CRPs from billing BRS for the VR services provided under both a "fee for service" agreement and under these "establishment" agreements with ARFIN. Moreover, the grant agreements required the CRPs to refer to DDRS/BRS all individuals with disabilities who were potentially eligible for the VR program, so that the CRPs would provide VR services only to DDRS/BRS-eligible individuals under these grant agreements.

The grant agreements identify DDRS as the "State" and ARFIN as the "grantee." DDRS cited Indiana Code (IC) 12-12-1-4.1(a)(2) and (3) as its authority to enter into these grant agreements:

Sec. 4.1 (a): The bureau may do the following:

- (2) Contract with governmental units and other public or private organizations to provide any of the vocational rehabilitation services permitted or required by this article, IC 12-8-1-11, IC 12-9-6, and IC 12-11-6.
- (3) Provide or contract for the provision of other services that are consistent with the purposes of this article, IC 12-8-1-11, IC 12-9-6, and IC 12-11-6.

We note that the Indiana Code provision refers to contracting for services, not awarding grants.

The DDRS/BRS and ARFIN Subgrant:

DDRS/BRS and ARFIN entered into the initial grant agreement (EDS #49-07-VA-0365) on August 30, 2006, under which DDRS/BRS awarded approximately \$6 million in VR funds to ARFIN “for eligible costs of the project or services, plus an amount not to exceed \$179,999.95 for administrative costs.” According to its terms, the initial grant covered the period of August 15, 2006 through September 30, 2007 (time period covers 13 months from late FY 2006 through FY 2007); however, neither DDRS nor ARFIN signed the grant agreement until August 30, 2006. The grant agreement’s other signatories -- Indiana’s Department of Administration, Office of Management and Budget, and Office of the Attorney General -- did not sign the grant agreement until October 19, 2006, November 9, 2006, and November 20, 2006, respectively. DDRS/BRS identified four priority areas for these agreements: school-to-work transition, corporate level job development, program innovation, and outreach to special populations. According to the Final Summary of the grants, submitted to DDRS/BRS by ARFIN, \$4,252,660 (71 percent of the total \$6,004,046 awarded) was expended or obligated at the end of FY 2007.

The parties amended the grant agreement in January 2007 (Amendment #1) “to add a service component for customized employment and increase funding by \$385,000 to cover this service component.” The parties amended the grant agreement again in September 2007 (Amendment #2) to provide a grant of \$7 million in VR funds to ARFIN for a second year of funding, plus an amount not to exceed \$210,000 for administrative costs. Amendment #2 extended the grant period to cover October 1, 2007 to September 30, 2008 (FY 2008). DDRS/BRS listed three priority areas for the FY 2008 agreement: school-to-work transition, return-to-work initiatives/beneficiary rehabilitation, and program innovation. According to the Final Summary submitted by ARFIN to DDRS/BRS, \$1,029,903.58 was obligated to fund “new” subgrants and \$5,647,265.47 was obligated to fund continuation subgrants, with a total of \$6,676,265.47 obligated by the end of FY 2008.

The ARFIN and CRP Subgrants:

In FY 2006, ARFIN and the CRPs executed 37 subgrants for the purposes of establishing, developing, or improving CRPs for the provision of VR services to BRS consumers, pursuant to section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1). FY 2006 VR funds were used to award these subgrants, which ended September 30, 2007 (FY 2007). The subgrants required each of the CRPs to provide non-Federal expenditures equaling 21.3 percent of the total VR expenditures under the subgrants towards BRS’ non-Federal share requirement of the VR program.

In FY 2008, ARFIN and the CRPs executed 39 subgrants, which ended September 30, 2008 (FY 2008). The formal Request for Funding (RFF) announcement was sent to potential applicants on July 19, 2007, requesting proposals for “establishment” projects for the 12-month period from September 30, 2007, through September 30, 2008. According to the RFF, entities receiving a “new” subgrant in FY 2008 would be required to provide a 21.3 percent match, just as all subgrantees were required to do during the awards made the prior year. The RFF said that those CRPs receiving “continuation” grants would be required to provide match of 25 percent of staffing cost, pursuant to 34 CFR 361.5(b)(17)(ii), and 21.3 percent for non-staffing costs,

pursuant to 34 CFR 361.60(b)(3)(i). Thirty of these subgrants were “continuation” grants for projects funded during the prior grant period (August 2006 through September 2007). Although the RFF indicated these continuation subgrants would be for “establishment” activities, the information RSA reviewed indicates that DDRS/BRS actually treated these “continuation” subgrants as “innovation and expansion” activities pursuant to section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35(a)(1), and, as such, DDRS/BRS did not collect non-Federal funds for match purposes under the VR program from these CRPs. The remaining nine “new” subgrants were awarded to establish, develop, and improve a CRP pursuant to section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), and these CRPs did provide the non-Federal expenditures for match purposes pursuant to 34 CFR 361.60(b)(3)(i). FY 2007 VR funds were used to award these 39 subgrants.

Finding: BRS used VR funds, presumably under the establishment authority of section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), to expand and enhance the provision of VR services by CRPs at the local level. In turn, BRS used non-Federal expenditures incurred by the CRPs towards meeting BRS’ non-Federal share obligation under the VR program. In addition, during the second year of funding to the CRPs, BRS used VR funds, presumably under the innovation and expansion authority of section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35, to develop and implement innovative approaches to expand and improve the provision of VR services. RSA’s review of the DDRS/BRS and ARFIN grant, as well as the ARFIN subgrants to the CRPs, revealed many fundamental flaws.

First, DDRS/BRS awarded these funds to ARFIN in FY 2006 and FY 2008 via a grant, rather than a contract. Neither Title I of the Rehabilitation Act nor its implementing regulations permit State VR agencies to subgrant VR funds to another entity, including ARFIN. Similarly, ARFIN, in turn, did not have the authority to further subgrant the VR funds to the CRPs. Therefore, all activities performed under the DDRS/BRS-ARFIN grant agreement and the ARFIN-CRP subgrant agreements are unallowable under the VR program. Because these were unallowable VR activities, non-Federal expenditures used for match and MOE purposes for these activities also are not allowable under the VR program.

Second, even if DDRS/BRS had awarded the funds to ARFIN pursuant to a contract rather than a grant, and subsequently had further subcontracted the funds to the CRPs, DDRS/BRS was not authorized to engage in “establishment” or “innovative and expansion” activities because it had not completed the requisite pre-planning for these activities. The activities were not allowable “establishment” activities because: 1) some of the entities receiving funds did not constitute CRPs; 2) most of the entities provided services to individuals who were not DDRS/BRS consumers; and 3) some of the services provided did not constitute VR services. Given that the activities were not allowable under the VR program for the reasons just described, non-Federal expenditures used for match and MOE purposes for these activities also are not allowable under the VR program.

Finally, even if DDRS/BRS had utilized the proper procedures to award these funds and satisfied all of the requirements for “establishment” and “innovation and expansion” activities, DDRS/BRS failed to maintain administrative control over the VR program. Despite the fact that DDRS/BRS had procedures in place to maintain some administrative control over the ARFIN

and CRP activities, DDRS/BRS delegated key responsibilities to ARFIN – some of which the VR regulations prohibit the BRS to delegate -- and failed to monitor the ARFIN and CRP activities sufficiently to ensure the proper and efficient administration of the VR program, and financial accountability for the expenditure of VR funds.

Each of these fundamental areas of non-compliance will be addressed separately below.

A. No Authority to Subgrant VR Funds

As described above, DDRS/BRS used Indiana's grant procedures to award VR funds totaling \$6 million in FY 2006 (to be used during late FY 2006 through FY 2007) and \$7 million in FY 2007, plus additional amounts for administrative costs, to ARFIN (to be used in FY 2008). The grant agreements required ARFIN, in turn, to subgrant those funds to CRPs chosen by BRS to establish, develop, or improve CRPs for the provision of VR services to BRS consumers.

According to 34 CFR 76.50(b)(2), the authorizing program statute determines whether a State may subgrant its Federal funds. Neither Title I of the Rehabilitation Act nor its implementing regulations authorizes DDRS/BRS, the grantee in this case, to subgrant its VR funds to ARFIN or for ARFIN to further subgrant those funds to the CRPs. In contrast, where there is authority to subgrant, the program regulations will do so (see, for example, the authority to subgrant under Title VII of the Rehabilitation Act, which governs the State Independent Living Services Program, at 34 CFR 365.23). Therefore, DDRS/BRS failed to comply with 34 CFR 76.50 when it awarded VR funds through a subgrant to ARFIN, and in turn, required ARFIN to further subgrant the VR funds to the CRPs.

B. Inappropriate Sole Sourcing to ARFIN

Even if DDRS/BRS had used the State's procurement procedures to award VR funds to ARFIN via a contract, as required by 34 CFR 80.36(a), DDRS/BRS may not have followed its own State procedures when it awarded the funds to ARFIN on a sole source basis. Generally, State, as well as Federal, procurement procedures emphasize the need for procurements to be conducted in a manner that provides full and open competition (see, *e.g.*, 34 CFR 80.36(c)). Sole source procurements generally are only used when the goods or services purchased are necessary for the proper and efficient performance of the Federal grant program, and are only available from a single source. DDRS/BRS claimed that it awarded the funds on a sole source basis because its historical relationship with ARFIN made that mechanism more expedient. Neither DDRS/BRS nor ARFIN argue that ARFIN had unique skills or qualifications to justify this sole source award. The nature of the administrative duties performed by ARFIN would not appear to justify the issuance of a sole-source award to that entity. RSA will need further information, particularly a copy of the State's procurement procedures, to determine the extent of DDRS/BRS' compliance with Indiana's law regarding the awarding funds to ARFIN on a sole source basis.

C. Unallowable VR Activities – “Establishment” and “Innovation and Expansion”

“Establishment, development, or improvement of a CRP” activities are designed to assist public or non-profit CRPs in providing VR services to DDRS/BRS consumers to help maximize their opportunities for employment, including career advancement (34 CFR 361.5(b)(9) and (17)).

“Innovation and expansion” activities are those designed to expand and improve the provision of VR services to individuals with disabilities, especially those with the most significant disabilities (section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35(a)(1)). Even if DDRS/BRS had used the proper competitive procurement procedures to award the VR funds to ARFIN, and ARFIN had done the same with the CRPs, DDRS/BRS failed to comply with key requirements for the establishment, development, or improvement of a CRP, and for innovation and expansion activities, namely by failing to: 1) pre-plan sufficiently for these activities; 2) award “establishment” funds only to CRPs; 3) serve only VR consumers under the “establishment” authority; and 4) provide only VR services. Given DDRS/BRS’ failure to comply with these fundamental requirements, as described in more detail below, DDRS/BRS was not authorized to engage in these activities under the VR program.

1. Failure to Pre-Plan for “Establishment” and “Innovation and Expansion” Activities

Section 101(a)(15) of the Rehabilitation Act and 34 CFR 361.29 require that BRS engage in substantial planning prior to starting “establishment” activities pursuant to section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1), and “innovation and expansion” activities pursuant to section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35(a)(1). BRS, together with its State Rehabilitation Council (SRC) must conduct an assessment of VR needs in the State every three years and include the results of that needs assessment in its State plan (section 101(a)(15)(A) of the Rehabilitation Act and 34 CFR 361.29(a)). The assessment identifies the VR needs of individuals with the most significant disabilities and those from unserved or underserved populations, and includes a description of whether there is a need to establish, develop, or improve a CRP (section 101(a)(15)(A) of the Rehabilitation Act and 34 CFR 361.29(a)(1)). BRS must use the results from its triennial needs assessment to develop goals and priorities for carrying out its VR program (section 101(a)(15)(C) of the Rehabilitation Act and 34 CFR 361.29(c)). BRS must develop strategies for how it would address the identified VR needs within the State and achieve its goals and priorities, including those related to the establishment, development, or improvement of a CRP (section 101(a)(15)(D) of the Rehabilitation Act and 34 CFR 361.29(d)). None of BRS’ State plans for FYs 2006 through 2008 contained information from the triennial needs assessment that identified BRS’ goals, priorities, and strategies for engaging in activities to develop innovative approaches to improve or expand the provision of VR services to individuals with disabilities, or for establishing, developing, or improving a CRP, as required by section 101(a)(15) of the Rehabilitation Act and 34 CFR 361.29. Without satisfying these requirements, BRS could not use VR funds under section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35.

In addition to these State plan requirements, BRS must develop and maintain written policies covering the nature and scope of VR services that will be provided to groups of individuals with disabilities, including those involving the establishment, development, or improvement of CRPs (34 CFR 361.49(b)(1)). These policies also must set forth the criteria under which these services will be provided (*Id.*). The BRS policies that RSA reviewed did not meet these requirements. Given that DDRS/BRS failed to satisfy both the State plan and policy development requirements, DDRS/BRS was not authorized to use VR funds under section 103(b)(2)(A) of the Rehabilitation Act and 34 CFR 361.49(a)(1) to establish, develop, or improve a CRP, or to engage in innovation and expansion activities pursuant to section 101(a)(18)(A)(i) of the Rehabilitation Act and 34 CFR 361.35.

2. Some Subrecipients Do Not Satisfy Definition of a CRP

In its RFFs, BRS advertised that any private not-for-profit agency or organization, or any public CRP was eligible to apply. While most of the entities that received VR funds under ARFIN subgrants had a history of providing VR services to BRS consumers and met the definition of a CRP, as defined at 34 CFR 361.5(b)(9)(i), two entities – Mental Health Association of Indiana (MHAI) and ARC of Indiana – did not meet the definition of a CRP and, therefore, should not have received VR funds pursuant to 34 CFR 361.49(a)(1).

For purposes of the VR program, a CRP is an entity that provides directly, or facilitates the provision of, VR services to enable individuals with disabilities to maximize their opportunities for employment (34 CFR 361.5(b)(9)(i)). This entity must be an agency, organization, or institution, or unit of an agency, organization, or institution, that provides directly or facilitates the provision of VR services as one of its major functions (34 CFR 361.5(b)(9)(ii)). According to the information RSA reviewed while on-site, as well as the information on MHAI's website, MHAI is an advocacy organization that, among other things, promotes the mental health and recovery of all Indiana citizens through educational programs to increase public understanding and acceptance of persons with mental illness and addiction disorders. Neither MHAI nor a unit within its organizational structure delivers VR services to individuals with disabilities. Similarly, there is no evidence that ARC of Indiana or a unit within its organizational structure provides direct VR services to individuals with disabilities. According to the information on the ARC of Indiana's website, the entity is "the State's most well-respected and leading advocacy association for people with intellectual and other developmental disabilities and their families." Neither MHAI nor ARC of Indiana meets the definition of a CRP pursuant to 34 CFR 361.5(b)(9), and, therefore, should not have received VR funding pursuant to 34 CFR 361.49(a)(1).

3. Subrecipients Served Non-VR Consumers

As discussed earlier, CRPs receiving VR funds to establish, develop, or improve a CRP pursuant to 34 CFR 361.49(a)(1), must use those funds to serve only DDRS/BRS consumers and applicants. The RFFs issued in July 2006 and July 2007 did not require

the CRPs to use the VR funds received under the ARFIN agreements to serve only BRS applicants or consumers. Instead, the RFFs merely required the CRPs to ensure that “all persons served under this grant should potentially meet [VR] eligibility requirements” (FY 2006 RFF, page 7). The CRPs also were required “to refer those potentially eligible persons to local [BRS VR] offices” (*Id.*). However, the RFFs did not require the CRPs to make those referrals to BRS prior to providing any services.

Nearly all of the 37 projects funded under the initial ARFIN agreement (August 2006 through September 2007) and the 39 agreements funded during the second year (October 2007 through September 2008) served individuals who were not BRS VR applicants or eligible individuals at the time of service, and many CRPs served individuals who were never referred to BRS. According to the results of ARFIN’s tracking of program and fiscal information for all projects funded: 1) none of the CRPs funded were designed to serve only BRS VR applicants or eligible individuals; and 2) most projects served more individuals than were referred to BRS. The following are a few examples of the results from those CRPs, funded during the period of August 2006 through September 2007, which served large numbers of individuals:

Project	Number Served	Number Referred to VR
Achieva	224	104
ARC Bridges	75	34
Goodwill Central Indiana	166	5
Hamilton Center	230	23
Hillcroft Outreach Project	523	86

RSA found similar results when reviewing ARFIN’s tracking of projects funded during FY 2008.

During on-site monitoring, RSA found only one CRP (Quinco) that appeared to have ensured that all 11 individuals served had been determined eligible for BRS VR services, as required by 34 CFR 361.49(a)(1) and 34 CFR 361.5(b)(17). The other CRPs indicated to RSA that an individual’s status as a VR applicant or eligible consumer was not a consideration or requirement for service by the CRPs. For example, the Hillcroft Outreach Project (identified in the list above) did not collect any documentation regarding whether the 523 inmates it served in its pre-release classes had a disability; none were clients of BRS’ VR program. Another example is the MHAI project, which used its VR subgrant to serve employers – not BRS consumers or applicants. For this reason, DDRS/BRS failed to comply with the requirement that VR funds, used to provide VR services pursuant to the “establishment” authority of 34 CFR 361.49(a)(1), must be provided solely to BRS VR consumers.

4. Some Subrecipients Provided Non-VR Services

While many of the CRPs receiving VR subgrants from ARFIN provided VR services to at least some VR consumers and applicants as required by 34 CFR 361.49(a)(1) and 34

CFR 361.5(b)(17)(i), some subrecipients did not provide VR services at all. For example, MHAI used the VR funds it received under BRS' "establishment" authority to develop training materials for employers about employing individuals with mental illness and traumatic brain injury. Another entity, ARC of Indiana, used the VR funds it received under BRS' "establishment" authority to engage in outreach to minority communities, especially Hispanics and African-Americans. These services would have been allowable had BRS contracted with MHAI and ARC of Indiana to provide these same services under other authorities, such as 34 CFR 361.49(a)(4) and (6), which permit BRS to provide services that benefit groups of individuals with disabilities who may or may not be BRS consumers. However, BRS had no basis to engage in these activities under the "establishment" authority of 34 CFR 361.49(a)(1), and BRS failed to comply with the requirement that the services provided under the "establishment" authority be VR services provided to BRS consumers.

D. Unallowable Source of Non-Federal Expenditures for Match and MOE Purposes

DDRS/BRS's agreement with ARFIN required ARFIN to subgrant VR funds to CRPs for establishing, developing, or improving a CRP in accordance with 34 CFR 361.49(a)(1). DDRS/BRS used non-Federal expenditures equaling 21.3 percent of the total expenditures under those agreements towards satisfying its non-Federal share requirement under the VR program. During the second full year of the agreement (FY 2008), ARFIN awarded "new" subgrants under this same authority, but awarded "continuation" subgrants for the purpose of implementing innovative approaches to the VR service delivery system in accordance with 34 CFR 361.35. The 30 CRPs receiving continuation awards did not put up non-Federal expenditures towards DDRS/BRS' match requirement under the VR program. However, the 9 CRPs receiving "new" grants in FY 2008 for purposes of establishing, developing, or improving a CRP, were required to provide non-Federal expenditures towards DDRS/BRS' match requirement under the VR program.

As described above, DDRS/BRS failed to comply with essential requirements for both the "establishment" activities under 34 CFR 361.49(a)(1) and "innovation and expansion" activities under 34 CFR 361.35. As such, DDRS/BRS was not authorized under the VR program to engage in these activities in FYs 2006 through 2008. Non-Federal expenditures used for satisfying VR match and MOE requirements must be for allowable expenditures under the VR program, which include expenditures for the cost of providing VR services and the cost for administering the VR program (34 CFR 361.3, 34 CFR 361.60(b)(1), and 34 CFR 361.62(a)). The allowable expenditures must be consistent with the cost principles set forth in OMB Circular A-87, Attachment A, Section C. In this case, because DDRS/BRS was not authorized to provide these services under the State plan for FYs 2006 through 2008, non-Federal expenditures incurred for these expenditures during that time period may not be used for match or MOE purposes under the VR program. Even if DDRS/BRS had used the proper competitive procurement procedures to award these funds via contracts and had complied with all preplanning requirements, DDRS/BRS still allowed ARFIN subrecipients to provide services, pursuant to the "establishment" authority, that were not considered VR services, and to individuals who were not BRS VR consumers. RSA will need further information to determine

the full extent of DDRS/BRS' non-compliance with the match and MOE requirements of 34 CFR 361.60(b) and 34 CFR 361.62.

E. Initial DDRS/BRS Agreement to ARFIN May Not Have Been Executed Prior to the Close of FY 2006

Even if DDRS/BRS had been authorized to enter into an agreement with ARFIN, RSA questions whether the agreement would have been in force to cover expenditures for FY 2006. The initial DDRS/BRS agreement with ARFIN was signed by both DDRS/BRS and ARFIN on August 30, 2006; however, the other signatories had not done so until after the start of FY 2007, with the last signature occurring on November 20, 2006. Nevertheless, DDRS/BRS used FY 2006 VR funds for expenditures under the agreement, since DDRS/BRS and ARFIN had signed it on August 30, 2006.

According to 34 CFR 76.707(c) and (d), an obligation for the performance of work by non-DDRS/BRS employees is made on the date in which the State enters into a binding written commitment for that work. State law would determine whether the agreement was binding with only DDRS/BRS' and ARFIN's signatures on August 30, 2006, or whether it became binding only after all parties had reviewed and signed off on the agreement. In this case, the Attorney General – the last signatory -- did not sign the agreement until November 20, 2006. If DDRS/BRS' and ARFIN's signatures were sufficient to bind the State to the agreement, then the agreement would have constituted a valid obligation for VR purposes in FY 2006, as DDRS/BRS believed. However, if the agreement would not have been binding on DDRS/BRS until after all of the signatories, including the Attorney General, had signed off, then the agreement would not have been a valid obligation for VR program purposes until FY 2007. RSA will need further information to determine when, under State law, the written agreement would have been a binding obligation pursuant to 34 CFR 76.707.

The timing of the obligation is important for three reasons: to determine whether DDRS/BRS would have satisfied its VR match, MOE, and carryover requirements for FY 2006 – the year it believed the agreement constituted an obligation for VR purposes.

DDRS/BRS is required to meet its match requirement by contributing non-Federal expenditures equaling 21.3 percent of the total expenditures under the VR State plan (34 CFR 361.60(b)(1)). Instructions for the RSA-2 reporting instrument consider non-Federal expenditures, for VR match purposes, to include unliquidated obligations from non-Federal sources. To the extent that DDRS/BRS satisfied its match requirement, the agency would have been permitted to carry over unobligated FY 2006 Federal VR funds for obligation during FY 2007. DDRS/BRS would not have been permitted to use the non-Federal expenditures incurred by the CRPs towards meeting its VR match or carryover requirements until it had a binding obligation with ARFIN for VR program purposes.

DDRS/BRS also is required to satisfy its MOE requirement under the VR program each fiscal year. In this case, DDRS/BRS' non-Federal expenditures in FY 2006 must have, at a minimum, equaled its non-Federal expenditures from FY 2004 (34 CFR 361.62(a)(1)). Once again, the timing of when the DDRS/BRS and ARFIN agreement became binding under State law would determine whether DDRS/BRS would have been able to count non-Federal expenditures from

the CRPs towards its MOE requirements in FY 2006, or whether it should have been counted in FY 2007.

F. Failure to Maintain Control Over the VR Program

Even if DDRS/BRS had properly contracted with ARFIN and the CRPs to provide certain VR services, DDRS/BRS would still be responsible for the proper and efficient administration of the VR State plan, for carrying out all functions for which it is responsible, and for ensuring accurate data collection and financial accountability of the VR program (34 CFR 361.12). In addition, BRS, as the DSU for the VR program would be responsible for maintaining control over certain key functions of the VR program. When DDRS/BRS inappropriately “granted” portions of the VR program to ARFIN, it failed to maintain the administrative and financial control of large aspects of the VR program, as required by 34 CFR 361.12.

1. BRS Relinquished a Non-Delegable Function

The VR regulations require BRS, as the DSU for the VR program, to retain sole responsibility for certain functions, including the allocation and expenditure of VR funds (34 CFR 361.13(c)(iv)). Even if DDRS/BRS had the authority to subgrant VR funds, BRS would not have had the authority to delegate to ARFIN the authority to allocate VR funds to the CRPs.

2. Failure to Monitor VR Program Activities

The DDRS/BRS agreement with ARFIN stated that DDRS/BRS may conduct monitoring reviews of the project, and such reviews would include a detailed analysis of actual expenditures and conformity with amounts for each budget line item (section 4, page 1 of initial agreement). In addition to these fiscal monitoring reviews, the initial agreement also stated that DDRS/BRS would approve all claims for ARFIN services and reimbursements, and would conduct quarterly grant reviews, on-site field reviews, and year-end grant close-out reviews (Exhibit I, Section B). However, despite meeting with ARFIN and the CRPs quarterly, DDRS/BRS did not monitor any of these entities to verify the accuracy of reported expenditures for which these entities received reimbursement. ARFIN, on the other hand, was responsible for: awarding subgrants to successful applicants; making payments to grantees after reviewing documentation of the approved outcome or deliverable; ensuring non-Federal expenditures (required match) accompany the requests for payments; maintaining auditable grant files; and providing quarterly financial reports to DDRS/BRS on all subgrant activities (Exhibit I, Section C). ARFIN also was responsible for reviewing the mathematical accuracy of invoices received from subgrantees and preparing a spreadsheet to track (or compare) budget line-items and total (to-date) payments to each subgrantee against the approved project budget and total subgrant amount authorized.

Even if DDRS/BRS had the authority to subgrant VR funds, Federal regulations at 34 CFR 80.40(a) require DDRS/BRS to manage the day-to-day operation of grant-supported activities. In fulfilling this requirement, DDRS/BRS is responsible for monitoring all

grant-supported activities to ensure compliance with Federal requirements and that performance goals are achieved. However, DDRS/BRS inappropriately delegated these responsibilities to ARFIN. While RSA noted that DDRS/BRS met with ARFIN and the CRPs quarterly, DDRS/BRS did not monitor their activities nor did it verify whether the entities were providing the services to which they agreed to perform. For these reasons, even if DDRS/BRS had the authority to subgrant funds, DDRS/BRS would have failed to comply with 34 CFR 80.40.

3. Failure to Implement Sufficient Internal Controls

In maintaining administrative control over the VR program, DDRS/BRS also must directly administer or supervise each project funded under the grant (34 CFR 76.701). DDRS/BRS' fiscal controls and accounting procedures must be sufficient to, among other things, permit the tracing of funds to a level of expenditure adequate to ensure that the funds were expended in a manner consistent with Federal requirements (34 CFR 80.40(a)). In addition, DDRS/BRS' fiscal controls and financial accounting procedures must be sufficient to ensure proper disbursement and accounting of all Federal funds (34 CFR 76.702).

Even if the grant agreements between DDRS/BRS, ARFIN, and the CRPs were valid, DDRS/BRS had no system in place to ensure that the expenditures invoiced were actually incurred or that DDRS/BRS was receiving the services identified in those agreements. DDRS/BRS, not ARFIN, would have had to perform the program administration functions associated with the activities under these agreements, pursuant to 34 CFR 361.12 and 34 CFR 76.701. Furthermore, DDRS/BRS would have had to review the invoices, as well as supporting documentation for those invoices, to ensure the accuracy of the invoices and that the providers actually rendered the services claimed. Only through these actions could DDRS/BRS have ensured that the VR funds were expended properly, efficiently, and in compliance with Federal requirements, pursuant to 34 CFR 361.12, 34 CFR 76.701, and 34 CFR 80.20(a).

Corrective Action 3: DDRS/BRS must:

- 3.1 cease the practice of subgranting VR funds because neither Title I of the Rehabilitation Act nor its implementing regulations give DDRS/BRS the authority to subgrant VR funds;
- 3.2 modify any agreement that is still in effect through which DDRS/BRS delegates any of its non-delegable functions, as prohibited by 34 CFR 361.13(c), or the administration or supervision of grant-supported projects, and/or fiscal and accounting controls, as prohibited by 34 CFR 361.12, 34 CFR 76.701, and 34 CFR 80.20(a);
- 3.3 provide RSA with copies of its procedures that demonstrates how BRS maintained sufficient control over those aspects of the VR program which may not be delegated, per 34 CFR 361.13(c)(3), as they related to ARFIN and the CRPs;
- 3.4 provide RSA with copies of State procurement and grant procedures applicable to its VR program, including information to document when a contract or grant becomes a binding written commitment;

- 3.5 to the extent it seeks assistance in providing VR services, use procurement procedures that comply with 34 CFR 80.36(a);
- 3.6 submit a written assurance, within 10 days of receipt of the final monitoring report, that DDRS/BRS will comply with all Federal requirements, including those set forth at 34 CFR 361.3, 34 CFR 361.12, 34 CFR 361.29, 34 CFR 361.35, 34 CFR 361.49, 34 CFR 361.60(b), 34 CFR 361.62, 34 CFR 361.64, 34 CFR 76.50, 34 CFR 76.701, 34 CFR 76.702, 34 CFR 76.707, 34 CFR 80.20(a), 34 CFR 80.36(a), 34 CFR 80.40, and the cost principles at OMB Circular A-87;
- 3.7 ensure that it will use non-Federal expenditures towards satisfying its match and MOE requirements for the appropriate fiscal year and only for allowable activities under the VR program, as required by 34 CFR 361.60(b)(1), 34 CFR 361.62(a)(1), and 34 CFR 361.64;
- 3.8 ensure that VR funds are expended solely for the purposes of providing VR services to VR consumers and administering the VR program, as required by 34 CFR 361.3
- 3.9 provide RSA with an accounting of the total number of individuals served by each CRP, and separately identify those who were not consumers or applicants of DDRS/BRS, as well as the amount of Federal VR funds expended on those services;
- 3.10 ensure that it will comply with all relevant requirements, including pre-planning requirements of 34 CFR 361.29, before engaging in “establishment” activities, pursuant to 34 CFR 361.49(a)(1) and (b), and “innovation and expansion” activities, pursuant to 34 CFR 361.35;
- 3.11 if documentation exists for FYs 2006 through 2008, submit: 1) results from BRS’ triennial needs assessment covering that period and demonstrating a need in the State for the establishment, development, or improvement of CRPs; and 2) from the state plans for FYs 2006 through 2008, information about BRS’ goals and priorities, and its strategies for addressing those needs and achieving those goals and priorities, especially as they relate to the establishment, development, or improvement of CRPs;
- 3.12 develop policies and implement procedures to strengthen fiscal accountability and ensure compliance with the requirements in 34 CFR 361.12, 34 CFR 76.702, 34 CFR 80.20(a), and 34 CFR 80.40(a);
- 3.13 provide RSA with copies of the State’s procurement laws, rules, and procedures used by DDRS/BRS to award funds to ARFIN, including those provisions governing when an agreement becomes a legal obligation and requirements for sole source awards;
- 3.14 provide RSA with the justification to support the sole source agreement between DDRS/BRS and ARFIN, including any letters or email exchanges directing BRS to award the agreement sole source to ARFIN;
- 3.15 provide RSA with a listing of all entities in Indiana qualified to provide the services that ARFIN provided pursuant to its agreement with DDRS/BRS; and
- 3.16 complete the following table to provide information on all VR program funds awarded for the establishment, development, or improvement of CRPs, or innovation and expansion activities, in FYs 2006 through 2009. As necessary, add additional rows under each fiscal year to provide requested information.

**Table 3.1 - DDRS/BRS Establishment and Innovation and Expansion Awards
(FYs 2006 through 2009)**

FY 2006					
	Name of Award Recipient	Amount Awarded	Amount Paid as of (insert date)	Federal Share	Non-federal Share
1.					
2.					
FY 2007					
1.					
2.					
FY 2008					
1.					
2.					
FY 2009					
1.					
2.					

RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: With regard to the discussion on non-delegable functions, BRS conducted a competitive Request for Funding (RFF) to solicit proposals from providers, and determined award recipients and award amounts for each recipient. VR staff signed and approved all claims from providers, and the BRS Director signed and approved all ARFIN claims. ARFIN's role was limited to that of Grant Manager, and BRS maintained all decision making authority. See Agency Responses for corrective actions 3.1 and 3.2 for more detail.

With regard to the discussion on whether BRS used the appropriate vehicle to award Title I VR funds to ARFIN, BRS recommends that the finding be removed from the Final Report because BRS followed State procurement procedures. State procurement procedures encompass both grant and contract processes. Per the decision of the Indiana Attorney General's office, State Use law was identified as the contract award vehicle. See Agency Response for corrective action 3.3 for more information.

BRS recommends that this finding, with regard to the provision of services to non-BRS consumers or applicants, be removed in the Final Report as it does not accurately reflect the allowable outreach activities to transition aged youth. The goal of the project was to facilitate transition age youth, an underserved population, in accessing VR services, and, therefore their current status as VR applicant or eligible consumer was not a requirement. VR funds may be used for outreach to and identification of students with disabilities who are in need of transition

services, per 34 CFR 361.22. By nature, BRS outreach activities are provided to individuals who are not yet BRS consumers or applicants. As such, “outreach activities” do not constitute VR services since VR services are only provided to applicants and eligible individuals. The CRPs provided only outreach activities to students with disabilities, not VR services. In fact, instructions in the Request for Funding stated that CRPs could not provide VR services through these transition projects covered under the ARFIN VR Service Agreements. For this reason, the CRPs were required to refer all individuals deemed appropriate for VR services to BRS to receive those services. Claims submitted by CRPs were reviewed by the VR Region Manager/Project Director and BRS Director. There were no project budget line items approved for direct VR services. See Agency Response to corrective action 3.8 for more information.

BRS believes that this finding, with regard to whether DDRS/BRS maintained sufficient administrative control over the activities performed under the ARFIN contract, should be removed from the Final Report. DDRS/BRS believes that administrative control was evidenced by the procedures that were identified during the monitoring review. Specifically, the Region Managers reviewed claims and submitted for payment those which were approved. The objectives and goals of the contracts were reviewed at quarterly meetings. Reports were added to BRS case management system to track outreach referrals in order to verify the activity reported by CRPs. VR spending authority and decision making over project related issues was identified in the DDRS/ARFIN contract. See Agency Response for corrective action 3.11 for more information.

BRS recommends that the finding, with regard to sole sourcing to ARFIN, be removed in the Final Report. Per the decision of the Indiana Attorney General’s office, State Use law was identified as the contract award vehicle. The Indiana Department of Administration (IDOA) directed BRS to utilize ARFIN, the administrative entity for the State Use Program already under contract with the State of Indiana. As the Administrative entity for state use, ARFIN already had established relationships with most of the providers likely to be selected for participation in the VR projects. See Agency Response to corrective action 3.12 for more information.

3.1 Clarification: The state intends to fully comply with the requirements of federal law with regard to all aspects of the operation of the VRS program and will provide such assurance. However, BRS would like to make the following clarifications with regard to the regulations that have been cited in relation to the ARFIN grant and its subgrants:

- 1) The cited regulations, including 34 CFR 80.20 do not expressly prohibit, and appear to envision that the state, as grantee of federal funds, will make subgrants to others.
- 2) Subsection 34 CFR 80.20(a) requires the state to expend and account for grant funds in accordance with state laws and procedures. Under Indiana law, a grant is just one form that a contract may take. The Indiana Attorney General reviews each agreement as to form and legality before approving the form that has been used, and if it appears that the wrong form was selected for the intended purpose of the undertaking, the agreement will not be approved by the Attorney General.
- 3) Subsection 34 CFR 80.36(a) requires the states, as grantees, to follow the same procurement procedures as they use for non-federal funds. Subsection 34 CFR

80.36(b) states that the grantee and subgrantees will follow their own procedures, provided that they conform to applicable federal law.

- 3.2 There are no DDRS/BRS agreements that delegate non-delegable functions. BRS conducted a competitive Request for Funding (RFF) to solicit proposals from providers, and determined award recipients and award amounts for each sub-recipient of the ARFIN Contract. BRS/VR staff signed and approved all claims from providers, and the BRS Director signed and approved all ARFIN claims. ARFIN's role was limited to that of Grant Manager, as BRS maintained all decision making authority. The duties of the State (BRS) and the Grantee (Smart Partners) are outlined in the ARFIN Contract. Duties of the State include: 'BRS Director approves all grant applications designated for grant funding; VR Region Managers shall pre-approve all claims for subgrantee services and reimbursement; BRS Director or designee approves all claims for Grantee services and reimbursement; [BRS] Retains the authority to discontinue grant funding, through Grantee, resulting from subgrantee non-performance; VR Region Managers or other BRS Staff will serve as Grant Managers.'
- 3.3 BRS will provide RSA with copies of State Procurement and Grant Procedures as requested. Under Indiana law, contracts are legally binding on the effective date of the contract, regardless of the date they are signed by all parties. The signature of the Indiana Department of Administration (IDOA) and the Indiana Attorney General's Office is further evidence that Indiana followed appropriate State Procurement Processes.
- 3.4 BRS complies with 34 CFR 80.36(a) procurement procedures, as do all Contract Agreements entered into by DDRS/BRS. The signature of IDOA and the Indiana Attorney General's Office is further evidence that Indiana followed appropriate State procurement Processes.
- 3.5 BRS will provide this assurance within 10 days of receipt of the FY09 Final Monitoring Report.
- 3.6 As a result of input from RSA during the onsite Monitoring Review, BRS, in conjunction with Financial Management is implementing a new process to track and ensure non-federal match and MOE requirements are met.
- 3.7 BRS will ensure that VR funds are appropriately expended solely for purposes outlined in 34 CFR 361.2 and 34 CFR 361.3.
- 3.8 Clarification: BRS did not fund services to CRP's under these projects. Providers conducted outreach activities. BRS upholds that transition outreach activities are allowable under the VR program per 34 CFR 361.22.

Claims submitted by CRP's were reviewed by VR Region Manager/Project Director and BRS Director. There were no project budget line items approved for direct VR Services. Furthermore, instructions in the RFF stated that CRP's could not provide services through these transition projects that were covered under VR Service Agreements. Additionally, the

RFF stated that all individuals deemed appropriate for VR services, by the VRC and individual, were to be referred for VR application.

34 CFR 361.22 includes "procedures for outreach to and identification of students with disabilities who are in need of transition services," and requires the state plan to include plans, policies, and procedures for coordination between the DSU and education officials, designed to facilitate the transition of students with disabilities in school to the receipt of vocational services from the DSU. This must include, but is not limited to, such things as consultation and technical assistance to assist educational agencies in planning for the transition of students from school to post-school activities, and "procedures for outreach to and identification of students with disabilities who are in need of transition services." Nowhere in the specific subsections dealing with this requirement, are the recipients of the services limited to "applicants and eligible individuals," but instead, this regulation encompasses a third class of named service recipients, namely disabled students. If outreach and identification is to be done with regard to a particularly-described population, such as disabled students, it is logical that there will be members of that population who will be affected by those efforts, but who for one reason or another will not subsequently become "applicants or eligible individuals." In the case of outreach to transition students, there appears to be no legal requirement that these 'disabled students' also be "applicants or eligible individuals."

- 3.9 BRS will ensure that all relevant requirements, including pre-planning requirements, are addressed before engaging in establishment and innovation and expansion activities.
- 3.10 BRS will submit results from the Triennial Needs Assessment, which specifically outlines BRS' strategy for improving outreach to transition aged youth by collaborating with CRPs to embed transition specialists in Indiana Schools. BRS will also provide copies of State Plans which include goals for serving this population.
- 3.11 BRS and Financial Management will develop written policies and procedures that will strengthen fiscal accountability and ensure compliance with all federal fiscal requirements. A fiscal procedural manual is being developed to outline the monthly monitoring of funds and fiscal operational procedures. This manual will be the responsibility of the DDRS Controller's office, with review and approval of the BRS Program Director, DDRS Administrative Staff, Federal Funding, and Financial Management teams.
- 3.12 BRS/DDRS approached IDOA with a special need to quickly developed contracts with 30-40 providers. Approaching the end of FY06, BRS determined there would be approximately \$8 million in unspent federal funds. BRS viewed this as an opportunity to retain these funds in Indiana by investing in the VR Service Delivery System. In consultation with IDOA, they directed BRS to utilize ARFIN, the Administrative Entity for the State Use Program already under contract with the State of Indiana. As the Administrative entity for state use, ARFIN already had established relationships with most of the providers likely to be selected for participation in the VR projects. Additionally, the Indiana Attorney General's Office identified the ARFIN DDRS Contract as a State Use Project. DDRS/BRS recognizes there are a large number of organizations that could have

potentially provided these services, however no others who were familiar with Indiana's VR service delivery system.

3.13 Please see Agency Response to Corrective Action 3.12 above.

3.14 BRS will complete the table within 45 days of receipt of the FY09 Final Monitoring Report.

RSA Response: RSA acknowledges the factual clarifications that BRS provided in a separate document to its agency response. RSA has made the necessary changes and incorporated them, as appropriate, into this Final Report.

According to the information provided in your agency response, BRS contends that the Indiana grant procedures are encompassed in the State's procurement procedures. In addition, BRS contends that grants "are just one form" that a contract can take. BRS also argues that 34 CFR 80.20(a) does not expressly prohibit subgranting of Federal funds and even seems to "appear to envision" that Federal grantees would subgrant Federal funds. Finally BRS makes the argument that the proper vehicle was used to award the VR money to ARFIN because the IDOA and the Attorney General would not have signed off had the wrong mechanism been chosen.

Before addressing some of BRS' specific comments, we want to address BRS' general comment that subgrants are not prohibited under 34 CFR 80.20. Although many provisions in EDGAR, including 34 CFR 80.20, govern situations where a State subgrants funds, none of those provisions grant States the authority to do so. EDGAR provisions merely establish administrative requirements for those situations where subgranting is allowed. In this case, those provisions are not applicable to the VR program, where subgranting is not allowed. Under 34 CFR 76.50(b)(2), the authorizing statute of a program determines whether a State may make subgrants with its Federal funds. Neither Title I of the Rehabilitation Act nor its implementing VR regulations authorize VR agencies to make subgrants. In contrast, Title VII of the Rehabilitation Act, which governs the State Independent Living (IL) Services Program, expressly authorizes States to make subgrants with those IL funds (34 CFR 365.23). The authority for a State to subgrant must be expressly stated in its authorizing statute. Accordingly, BRS may not make subgrants with VR funds to ARFIN or any other entity.

In its response, BRS argues that the agency is required by Federal regulation to follow State procurement procedures when making subawards with Federal funds. BRS further argues that it did follow Indiana's procurement procedures, which allows both grants and contracts, when it awarded VR funds to ARFIN via a grant. We agree that, when entering into contracts, 34 CFR 80.36(a) allows a State to follow its own procurement laws. However, in this case, BRS only had the authority under the VR program to use contracts as the vehicle for obtaining services, not grants. The method chosen by BRS under Indiana law to use VR program funds to obtain goods and services must conform to the requirements of the Federal VR program, which means BRS cannot subgrant funds as it did to ARFIN and the CRPs, it can only contract for such goods and services. Because BRS has not provided any argument or new information to show that it did in

fact enter into contracts with ARFIN and the CRPs, our finding stands regarding BRS' unallowable subgrants.²

In addition to the fundamental problem with the mechanism for awarding the funds to ARFIN, and subsequently to the CRPs, BRS readily admits that VR funds were used to provide outreach to students in transition who were not applicants or consumers of BRS' VR program. BRS argues that it was authorized to provide such service pursuant to 34 CFR 361.22, or, in the alternative, that the services provided were not VR services at all, since they were not provided to VR consumers or applicants. The regulatory provision that BRS cites merely requires BRS to enter into a formal interagency agreement with the State educational agency to provide for, at a minimum, procedures for outreach to and identification of students with disabilities in need of transition services (34 CFR 361.22(b)(4)). This provision focuses on the *manner* in which BRS is to coordinate with education officials to ensure that the transition needs of students with disabilities are met; it does not provide the authority for BRS to provide a particular service. We agree that, by nature, outreach services are provided to individuals who are not already applicants or consumers of BRS. However, the real problem with what has occurred here is that BRS entered into these grants under the "establishment" authority of section 103(b)(2) of the Rehabilitation Act and 34 CFR 361.49(a)(1). BRS chose to use the "establishment" authority to engage in these activities in order to obtain non-Federal funds from the CRPs to put towards its match obligation under the VR program. The "establishment" authority is the primary mechanism, under the VR program, for CRPs to provide funds to the VR agency to use towards satisfying its match requirement. By definition, services provided under the "establishment" authority must be VR services provided by a CRP to individuals who are applicants or consumers of BRS (see definitions at 34 CFR 361.5(b)(9), (17), and (18)). By BRS' own admission, the students receiving the services were not applicants or consumers of BRS. Furthermore, at least two of the entities receiving funds under these ARFIN agreements did not constitute a CRP. For these reasons, among others discussed in the Draft Report, BRS' activities did not constitute "establishment" activities and were not allowable under the VR program as such. Furthermore, non-Federal funds used towards expenditures under these ARFIN and CRP agreements may not be used for match purposes under the VR program.

Finally, in its response, BRS contends that it has maintained control over the VR program and did not delegate some of its non-delegable functions to ARFIN. BRS believes that it retained control over VR expenditures by, among other things, determining which entity would receive the grants and how much money that entity would get. BRS also believes that it retained control over the services by establishing the services to be provided and the population to receive those

² In addition to awarding unallowable subgrants to ARFIN, and subsequently to the CRPs, RSA questions: 1) whether the sole source award to ARFIN was appropriate; and 2) the timing of when the agreements were considered binding. Although BRS admits that other entities in the State are capable of performing the grant management work provided by ARFIN, BRS contends that it was directed by the IDOA to award the funds to ARFIN without opening a competitive bid process. With regard to when the agreements became binding on the State, BRS stated in its response that, under State law, agreements are binding on the date of the agreement, regardless of when the agreements are signed. In the corrective actions at 3.13, RSA requires BRS to provide information to clarify BRS' procurement procedures. Although submission of this information will not change the outcome of this finding, it is needed to inform RSA of the extent of BRS' noncompliance and the affect of that noncompliance on BRS' ability to meet its match and MOE requirements for FY 2006.

services. RSA will need further information regarding how BRS maintained control over the non-delegable functions described at 34 CFR 361.13(c)(3).

In closing, we are not persuaded that the information that BRS has provided in its Agency Response resolves this compliance finding. For all of the reasons discussed herein, the finding stands and BRS must comply with the corrective action steps outlined above, as it has already indicated it will do. RSA will provide whatever technical assistance BRS needs to bring itself into compliance.

Technical Assistance: BRS may request technical assistance for Fiscal Corrective Actions 3.1, 3.2, 3.8, 3.9, 3.11, 3.12, 3.13, and 3.14. BRS does not request technical assistance for Fiscal Corrections 3.3, 3.4, 3.5, 3.6, 3.7, and 3.10.

4. Non-Delegable Responsibility of Administration

Legal Requirement:

34 CFR 361.13(c), in pertinent part, states:

- (1) At a minimum, the following activities are the responsibility of the designated State unit...:
 - (iv) The allocation and expenditure of vocational rehabilitation funds....
- (2) The responsibility for the functions described in paragraph (c)(1) of this section may not be delegated to any other agency or individual.

Finding: According to the FY 2006 VR State Plan, the designated State agency for the VR program changed from Indiana Family and Social Services (FSSA) to the Division of Disability and Rehabilitation Services (DDRS), a division of FSSA's organizational structure. At the same time, the designated State unit for the VR program changed from DDRS to the Bureau of Rehabilitative Services (BRS), an entity created by the Indiana General Assembly in 1992 but not implemented as part of the DDRS organizational structure until July 2005.

Although no longer the designated State agency for the VR program, FSSA retains responsibility for the financial management of all programs under its purview, including the VR and Supported Employment programs. As a result, FSSA prepares and submits the Financial Status Reports (SF-269s) and the Annual VR Program/Cost Reports (RSA-2s) for the VR program. Both DDRS and BRS have little involvement with the fiscal management of the VR program or the preparation and submission of the financial and statistical reports. During the on-site review, RSA learned that neither DDRS nor BRS:

- 1. has control over the expenditure of Title I VR funds;
- 2. is aware that FSSA has returned substantial amounts of VR funds to the U.S. Treasury;
- 3. takes responsibility for tracking funds, including matching funds provided by community rehabilitation programs (CRPs), and cannot provide information about the use of those funds;
- 4. takes responsibility for tracking the use of Federal funds drawn down by FSSA;

5. is aware of the total non-Federal resources available for the VR program to ensure that matching requirements for the VR, IL, and OIB programs have been satisfied; to ensure that the MOE requirements for the VR program have been satisfied; or to request additional Federal funds through the reallotment process;
6. can provide information to verify the year-end match reconciliation of VR funds for FYs 2005 through 2008;
7. has sufficient information to verify the accuracy of the information contained in the SF-269s and RSA-2s; or
8. has the authority to approve the SF-269s and RSA-2s prior to their submission to RSA.

Federal regulations require BRS, as the designated State unit for the VR program, to have responsibility for the allocation and expenditure of VR funds (34 CFR 361.13(c)(1)(iv)). This responsibility may not be delegated to another agency (34 CFR 361.13(c)(2)). However, BRS does not have control over: the expenditure or tracking of VR funds; the tracking of matching funds; the supporting documentation for expenditures and obligations of funds; and the preparation, verification, approval, or submission of the SF-269s and RSA-2s. FSSA, the former designated State agency for the VR program, maintains complete control over the financial management of the VR program.

While it is a State decision as to how administrative functions will be carried out, the manner chosen by the State to administer VR funds must enable the DSU to comply with specific Federal requirements. This means that centralization of certain administration functions, such as bill paying, accounting, and data processing, etc., at a State agency level is permissible so long as this centralization does not interfere with the decision-making capacity of the director of the designated State VR unit (*i.e.*, BVR) (PI-75-31, June 3, 1975). The regulatory requirement that the designated State VR unit must have responsibility for the allocation and expenditure of VR funds was proposed in 1995 “to strengthen the role of the State unit by requiring that the unit have a substantial role in all decisions affecting the administration of the VR program whenever management functions within the State agency are centralized” (Notice of Proposed Rulemaking, 60 Fed. Reg. 64475, 64482 (Dec. 15, 1995)). In the Final Regulations, the Secretary tried to balance the need for the State to have flexibility to centralize administrative functions with preserving the integrity of the VR program, consistent with the statutory requirements set forth at section 101(a)(2) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act).

The Secretary interprets this non-delegation provision to mean that the DSU shall carry out these functions or activities using its own staff.... [T]he Secretary agrees that responsibility for these additional functions must be retained by the DSU to ensure that State agencies that consolidate staff to administer multiple State and Federally funded programs do not entrust these key VR programmatic decisions to individuals who lack expertise in meeting the needs of individuals with disabilities. Moreover, the Secretary believes that the benefits derived from DSU retention of these functions – enhanced program efficiency and effectiveness – outweigh any costs that may be associated with the non-delegation requirements in the final regulations.

(Final Regulations, 62 Fed. Reg. 6307, 6316 (Feb. 11, 1997)).

In Indiana, BRS must maintain responsibility for the expenditure and allocation of VR funds (34 CFR 361.13(c)). BRS must use its own staff to manage the expenditure and allocation of VR funds in order to ensure that BRS retains a substantial role in the decision-making for the VR program. By not being responsible for the expenditure and allocation of VR funds, BRS is not aware of the resources available to the VR program, whether additional funds exist for obligations, whether sufficient match exists, and whether all program funds have been obligated or expended in order to avoid a reversion to the U.S. Treasury of unspent VR funds. Had BRS been responsible for the allocation and expenditure of VR funds, it is possible that program funds would not have been returned to the Treasury.

Pursuant to section 101(a)(2) of the Rehabilitation Act, the approved Indiana VR State Plan designates BRS as the designated State unit responsible for administering the VR program. By submitting the State Plan, DDRS and BRS, as the designated State agency and designated State unit, respectively, assured RSA that they would carry out the VR program in compliance with the requirements of Title I of the Rehabilitation Act and 34 CFR Part 361 (34 CFR 361.10(a)). While BRS may not have delegated responsibility for the allocation and expenditure of VR funds, per se, the net effect is the same -- DDRS and BRS have failed to ensure that BRS maintains responsibility for the expenditure and allocation of VR funds as required by 34 CFR 361.13(c).

Corrective Action 4: DDRS/BRS must:

- 4.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that they will take responsibility for the administrative functions described in 34 CFR 361.13(c), including responsibility for the financial management of the VR program;
- 4.2 submit a plan, including a timeline, for the transfer of the non-delegable financial management functions -- at a minimum, the expenditure and allocation of VR funds -- from FSSA to BRS; and
- 4.3 ensure that BRS has the capacity to carry out its non-delegable responsibilities for the administration of the VR program, including the allocation and expenditure of VR program funds, and ensure the accuracy and timely submission of its financial reports to RSA.

Agency Response:

BRS maintains control over all case service expenditures through the IRIS case management system, and vigorous utilization of fiscal and consumer service reports by staff.

- 4.1 BRS will provide this assurance within 10 days after receipt of the Final Monitoring Report.
- 4.2 All expenditures and allocations are approved by the Controller or a designee within the Division. After the State's conversion to PeopleSoft Financials accounting system just prior to the start of FY10 all non-system generated journal entries are electronically routed to the DDRS division before the expenditures can be posted. All new contracts beginning by the end of the first quarter of calendar year 2010 will require a purchase order designating the funding to be used for each contract expenditure. The accounting and financial areas of FSSA will not approve any expenditure or allotments of VR funds.

Federal reports will be submitted based on expenditures reported in the State's accounting system and reviewed by BRS staff.

- 4.3 Please see response to Fiscal Corrective Action 3.11 above. BRS/DDRS Program Staff, along with the Program Manager for the VR Case Management System, DDRS Controller, and Fiscal Management have already begun development of a routine tracking system to ensure timely and accurate fiscal reporting, as described in Fiscal Recommendation 1.1. As BRS develops the new financial flow process, with the assistance of the DDRS Controller's office and Financial Management, the required authority of BRS and the financial management of federal and non-federal funds will be part of this procedural method of operating.

RSA Response: RSA appreciates the efforts that BRS and DDRS are making to ensure that BRS retains control over the expenditures of VR funds and other non-delegable functions. BRS must complete the corrective action steps outlined above, providing sufficient detail of the steps you are taking to ensure these compliance issues do not arise again.

Technical Assistance: BRS does not request technical assistance for Fiscal Corrective Action 4.1. BRS may request technical assistance to Fiscal Corrective Actions 4.2 and 4.3.

CHAPTER 4: INDEPENDENT LIVING PROGRAM

The following table provides data on BRS's IL program performance in key areas from FY 2003 through FY 2007.

Table 4.1
Indiana's IL Program Highlights for FY 2006 and FY 2007

Program Highlights	2006	2007
Title VII, chapter 1, part B funds	357,967	357,967
Total resources (including part B funds)	1,446,426	797,744
Total served	593	482
Total consumer service records closed	260	198
Cases closed, completed all goals	142	149
Total goals set	1,510	1,320
Total goals met	819	746
Total individuals accessing previously unavailable transportation, health care, and assistive technology	185	190
Total FTEs	1.00	1.00
Total FTEs with disabilities	1.00	1.00

Note: This table, based on the 704 Report, Part I, reflects the State Independent Living Services (SILS) program funded by Part B funds under Title VII, Chapter 1 of the Rehabilitation Act. It includes IL services provided by the DSU either directly and/or through grants or contracts with CILs, excluding those funded directly by RSA under Title VII, Chapter 1, Part C of the Act.

IL Program Administration and Service Delivery

Indiana's statewide network of centers consists of nine CILs, six of which receive an aggregate total of \$1.2 million in Part C funds from RSA. The network serves 51 of the state's 92 counties in the northwest, northeast, central and southwest Indiana. The unserved areas consist of 41 counties in the northern and southern areas of the state.

BRS provides IL services through performance-based contracts with seven CILs using \$340,000 in Part B funds, \$30,000 in state matching funds, \$400,000 in Social Security reimbursements and \$2.5 million in state legislature-appropriated general revenue funds.

BRS provides \$50,000 in Part B and state matching funds to the Indiana Council on Independent Living (ICOIL) as well as meeting space, office supplies and administrative support services provided by its IL program director.

Personnel

BRS' IL staff consists of one full-time IL program director. In addition, BRS' assistant director represented the state agency as an ex-officio member on ICOIL until she retired shortly after the RSA review. BRS' new ex-officio representative has not been appointed, as of July 15, 2009.

Currently, ICOIL does not have its own staff, but is planning to hire an executive director or administrative assistant. ICOIL included an executive director position in its FY 2010 budget request and has developed the corresponding job description.

Data Management

BRS receives IL services and outcomes data through a combination of RSA and state-mandated annual performance reports. However, BRS currently does not have a system for collecting, analyzing and evaluating IL program data.

Quality Assurance

BRS has recently developed and plans to implement an on-site monitoring review protocol, including consumer service record reviews, for the CILs with which it contracts for IL services. Also, ICOIL has established a process for evaluating the implementation of the FY 2008-2010 SPIL, including a logic model, measurement framework and consumer satisfaction survey posted on ICOIL's website.

Planning

IL program planning is conducted by the DSU and ICOIL every three years through the state plan for Independent Living (SPIL), with input from the CILs, disability organizations and consumers. In addition, BRS has contracted with the Indiana University at Bloomington to conduct a statewide IL needs assessment, based on population and demographic profiles in each county. The needs assessment will guide the development of the 2011-2013 SPIL, particularly with regard to the order of priorities for expanding the statewide network of centers.

IL Program Technical Assistance Provided to BRS During the Review Process

During the review process RSA provided IL program technical assistance to BRS and ICOIL regarding the:

- potential for increased communication and collaboration between VR and IL through cross-training, the VR and IL referral processes, and the integration of CIL and VR systems to develop program initiatives and services;
- federal laws and regulations on SILC independence, statutory duties and membership requirements; and

- establishment of IL data management and quality assurance systems.

Observations of BRS and Its Stakeholders about the Performance of the IL Program

RSA solicited input from BRS and a wide range of its stakeholders about the performance of the IL program. The BRS and its stakeholders shared the following observations:

- BRS' new performance-based contracting, technical assistance and reporting practices are contributing to improved IL program outcomes and accountability, CIL collaboration, and expedited CIL expense reimbursements.
- CILs developed collaborative relationships with several BRS local VR offices and provide office space for counselors to meet with VR consumers. The partnerships between VR supervisors, counselors, and CIL staff results in coordinated efforts to deliver services such as benefits counseling, employment readiness-training, internships, job shadowing, consumer advocacy and youth transition.
- ICOIL's programmatic and fiscal capabilities have increased in recent years. However, further improvements are required for ICOIL to become an effective statewide IL leader.
- Unresolved issues involving the CILs in northwest Indiana continue to have a negative impact on ICOIL and the statewide network of centers in the state.

RSA discussed the observations of its stakeholders with BRS and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

IL Program Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to BRS about those observations. BRS responded to each of the recommendations and in those instances when RSA and BRS agreed upon a recommendation, RSA and BRS identified the technical assistance that RSA would provide to BRS to successfully implement the recommendations.

1. BRS' performance-based contracting and monitoring of CILs

Observation: BRS' contracts incorporate performance milestones and outcome indicators for each CIL. In FY 2008, the milestones involved the CILs' development of business plans and submission of statewide CIL evaluation reports. The outcome indicators involved the numbers of consumers receiving the IL core services and transitioning from an institution into community-based living. These milestones and indicators are intended to encourage and support improvements in IL service delivery within the state. However, they are primarily quantitative in nature and do not address the quality of IL services or outcomes.

Recommendation: RSA recommends that BRS:

- 1.1 develop a performance evaluation system that includes both quantitative measures and qualitative indicators, including a uniform consumer satisfaction assessment tool;
- 1.2 evaluate current methods used to monitor quality IL outcomes and establish a definition of quality IL outcome or service; and
- 1.3 develop quality assurance definitions and methodologies jointly between BRS, the CILs, ICOIL, and incorporate into the FY 2011-2013 SPIL.

Agency Response:

- 1.1 BRS contracts with the Indiana IL centers for FY 2010 include the statement "Contractor will be subject to compliance reviews required by 706 and 722 of the Rehabilitation Act of 1973, as amended." BRS will work in conjunction with ICOIL to develop a program review strategy and process to be completed by the end of FY 2010.
- 1.2 Indiana will evaluate the current methods of monitoring quality IL outcomes, including a review of the monitoring instrument by January 2010. BRS will work with ICOIL to develop this instrument. This instrument will be completed by the end of FY 2010.
- 1.3 BRS will work with ICOIL and the IL centers to develop these recommendations. The IL center contracts for FY 2010 include the statement "Contractor jointly with State and Indiana Council on Independent Living (ICOIL) shall develop quality assurance definitions and methodologies and to be incorporated into the FY 2011-2013 State Plan for IL which will include both quantitative measures and qualitative measures of performance, and use of a customer satisfaction assessment tool."

Technical Assistance: BRS requests technical assistance for IL Recommendation 1.1. BRS may request technical assistance for IL Recommendations 1.2 and 1.3.

2. ICOIL accountability and transparency

Observation: In response to RSA's 2002 findings, ICOIL implemented policies and procedures improving its public notifications of meetings; provision of reasonable accommodations to individuals with disabilities; and compliance with requests for materials in alternative formats. In addition, ICOIL has developed a user-friendly web site that includes ICOIL meeting notifications, meeting minutes, bylaws, the approved SPIL, the 704 Report and other materials. However, RSA identified several areas for further improvements in public accountability and transparency. In particular, RSA is aware of concerns from members and the general public about the policies and procedures' implementation, related to reasonable accommodations at meetings, timely notifications about changes in meeting times and location, and the availability of materials in alternative formats.

Recommendation 2: RSA recommends that ICOIL:

- 2.1 initiate a comprehensive review of its policies and procedures to ensure that SILC meetings and other meetings and forums, including SPIL public hearings, comply with

- all applicable federal and state laws and regulations, including the Americans with Disabilities Act, the Indiana Open Door Law and Title VII of the Act;
- 2.2 include clear and specific processes for addressing grievances and complaints;
- 2.3 specify what kinds of reasonable accommodations and alternate formats will be made available to the public and the procedures for requesting and accessing them, including timeframes;
- 2.4 establish procedures and timelines for notifying the public about meeting times, locations and schedule changes; and
- 2.5 post revised policies and procedures on the ICOIL website and other suitable venues for informing the public.

Agency Response:

- 2.1/2.2 In FY 2009, BRS engaged the services of a contractor to work with ICOIL to develop fiscal policy and procedures, revise current ICOIL policies and procedures, provide recommendations for a demographic study, and provide a center for independent living development plan. A review of policies/procedures has been completed and now includes information about meetings being in compliance with all applicable federal and state laws. (Anticipated adoption in January/February 2010.)
- 2.3 The contractor engaged by BRS worked with ICOIL during FY 2009 to include specifications regarding reasonable accommodations and alternate formats in its revised policies and procedures (Anticipated adoption – January/February 2010).
- 2.4 The contractor engaged by BRS worked with ICOIL in FY 2009 to include public notification processes and timelines in its revised policies and procedures (Anticipated adoption – January/February 2010).
- 2.5 Upon completion, BRS will post ICOIL’s fiscal and program policies and procedures on the website (Anticipated adoption – January/February 2010.)

Technical Assistance: BRS may request technical assistance for IL Recommendation 2.1. BRS does not request technical assistance for IL Recommendations 2.2 through 2.5.

3. ICOIL fiscal and programmatic capacity

Observation: In response to RSA’s 2002 review, ICOIL has increased its capacity to independently fulfill its statutory duties. In particular, ICOIL has revised its bylaws; incorporated as a 501(c)(3) organization; developed programmatic and financial policies and procedures; designed its own website; developed plans for hiring dedicated staff; adopted FY 2010 and 2011 budgets; established a separate bank account and mailing address, and appointed a treasurer. Also, BRS developed a policy and procedures manual, job description and performance appraisal to prevent conflicts of interests involving the BRS staff person providing administrative support services to ICOIL. Finally, a BRS-contracted consultant is developing a professional development program for ICOIL members and staff.

However, ICOIL’s ability to provide leadership on statewide issues remains limited by a number of challenges involving the recruitment and retention of members (see Finding 1); availability of timely budgetary information (Finding 2); state processes for the reimbursement of ICOIL-

related expenses (Finding 2); lack of in-house fiscal expertise and staff support; and council members' lack of consensus about ICOIL's vision, mission and priorities.

Recommendation 3: RSA recommends that ICOIL:

- 3.1 assess the most cost-effective administrative options to increase the capacity of ICOIL to perform its statutory duties; and
- 3.2 explore available alternatives for enhancing its fiscal expertise including contracted services, accounting software and fiscal training for ICOIL members and staff.
- 3.3 develop ICOIL's vision, mission and priorities consistent with the SILC statutory duties, with input from SILC, CIL and DSU representatives and diverse stakeholders from across the state;
- 3.4 review and update its bylaws, policies and procedures accordingly.

Agency Response:

- 3.1 With the assistance of the BRS contracted consultant, during 2009, it has assessed administrative options to ICOIL's fulfillment of its statutory duties, including the establishment of an individual who will support the ICOIL with their statutory duties.
- 3.2 BRS is currently analyzing the various state procurement options to determine which would best address the issues related to contracted services, accounting software and fiscal training for ICOIL members and staff (This analysis will be completed by the end of FY 2010).
- 3.3 ICOIL's vision, mission and priorities have been reviewed and revised and are consistent with SILC statutory duties.
- 3.4 With the assistance of the BRS contracted consultant, ICOIL reviewed and revised its bylaws, policies and procedures (Anticipated adoption – January/February 2010).

Technical Assistance: BRS does not request technical assistance for IL Recommendation 3.1, 3.3, or 3.4. BRS may request technical assistance for IL Recommendation 3.2.

IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that BRS is required to undertake. BRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist BRS.

1. ICOIL membership and composition

Legal Requirement:

Pursuant to section 705(b)(4)(A) of the Rehabilitation Act, "the Council shall be composed of members ... (iv) a majority of whom are persons who are (I) individuals with disabilities

described in section 7(20) (B); and (II) not employed by any State agency or center for independent living.

Pursuant to section 705(b)(4)(B) of the Rehabilitation Act, “a majority of the voting members of the Council shall be (i) individuals with disabilities described in section 7(20) (B); and (ii) not employed by any State agency or center for independent living.

Compliance Finding 1: ICOIL does not comply with sections 705(b)(4)(A) and (B) of the Rehabilitation Act because the CIL directors currently constitute the majority (eight of 13) of all ICOIL members and the majority (eight of the 11) of its voting members. The requirement that a majority of the SILC and its voting members be individuals with disabilities who are not employees of a center or a state agency is an integral part of the statutory composition requirements. RSA understands that the composition of the SILC may be temporarily out of compliance at any given point in time. However, it rises to the level of a finding when a SILC remains out of compliance with this requirement for an extended period of time, as ICOIL has,

In addition, BRS’ ex-officio representative on the SILC has recently retired and a replacement has not been appointed. This vacancy is not a compliance finding at this time because it appears to be temporary in nature, but it is a matter that merits attention.

Corrective Action 1: BRS and ICOIL must take corrective action to ensure that individuals with disabilities constitute a majority of all council members and a majority of its voting members, in accordance with sections 705(b)(4)(A) and (B) of the Rehabilitation Act. Subsequent to RSA’s on-site review, the Indiana state legislature passed an amendment to the state law establishing the SILC. The amendment reduces the state-mandated CIL representation on ICOIL from “each director of a center for independent living located in Indiana” to “at least one director of a center ...” This change would facilitate Indiana’s compliance by making it easier to identify and recruit the sufficient number of individuals with disabilities not employed by a state agency or CIL. It is important to note, however, that RSA will not consider the finding to be resolved until the governor officially appoints ICOIL’s CIL representative(s) in conformity with the amended state law and until RSA verifies that ICOIL would meet the sections 705(b)(4)(A) and (B) requirements as a result of such appointment(s).

Agency Response: Indiana statute (IC 12-12-8-6), enacted in the summer of 2009, correctly reflects the federal SILC composition and membership requirements. ICOIL’s membership committee has been working with the governor’s office on SILC nominations and appointments.

RSA Response: In its corrective action plan, BRS must include a target date for bringing the SILC (ICOIL) into compliance with federal composition and membership requirements. BRS must submit a roster of SILC members appointed by the governor in response to IC 12-12-8-6. The roster must describe each member’s employment status affiliation (i.e., employed by CIL, state agency or neither) and appointment category (i.e., ex-officio state agency representative, other state agency representative, center representative, person with a disability, not employed by a center or state agency, parent of a person with a disability, etc.). It must also include members’ terms and the start and end dates of each term, as well as the number of consecutive terms served.

Recommendation 4:

- 4.1 RSA recommends that the corrective action include the development of processes to track upcoming ICOIL vacancies and term limits; recruit and nominate qualified candidates; and facilitate the governor's timely appointment of new members, including the ex-officio representatives from the DSU and other state agencies that provide services for individuals with disabilities.
- 4.2 RSA recommends that ICOIL revise its policies and procedures and bylaws in conformity with the amendment. Such revisions would specify, for example, the nomination/appointment procedures and the term limits for the CIL representative(s).

Agency Response:

- 4.1 ICOIL has established a membership committee as part of its revised policy and procedures. The membership procedures include the tracking and recruitment of qualified members (Anticipated adoption in January/February 2010).
- 4.2 The policies/procedures have been revised in accordance with the statute (IC 12-12-8-6) (Anticipated adoption – January/February 2010).

Technical Assistance: BRS does not request technical assistance for either the compliance finding or the recommendations.

2. ICOIL independence**Legal Requirement:**

Pursuant to 34 CFR 364.21(i)(3), “no conditions or requirements may be included in the SILC's resource plan that may compromise the independence of the SILC.

Pursuant to 34 CFR 364.21(i)(4), “the SILC is responsible for the proper expenditure of funds and use of resources that it receives under the resource plan.”

Compliance Finding 2: As discussed in Observation 3, ICOIL has increased its ability to independently fulfill its statutory duties, in response to RSA's 2002 findings. However, RSA has found that ICOIL independence, as required in 34 CFR 364.21(i)(3) and 34 CFR 364.21(i)(4), has been curtailed by a state agency-wide travel moratorium that prevented ICOIL members' from using SILC resource plan funds to travel to an out-of-state conference. It is not permissible for the head of the DSU or another State agency to have discretionary authority over the expenditures under the SILC resource plan. The SILC should be treated by the State as a Board or Commission. As such, it is the responsibility of the SILC chairperson to determine how the SILC will abide by State laws, regulations, policies and guidelines in making SILC resource plan expenditures.

While the SILC will need to operate within uniform State legal requirements concerning expenditures, it is contrary to the provisions of the federal statute and regulations for the SILC resource plan expenditures to be subject to the direction of the head of another state agency.

In order to ensure the SILC's independence from state agency control, authority over expenditures under the SILC resource plan must be vested in the SILC chairperson and not be under the direction or supervision of the head of the DSU or another state agency. ICOIL's ability to expend its resource plan funds appears to be limited by other factors as well, including a state regulation that precludes state agencies from extending drawdown authority to contractors; the lack of timely BRS-provided budget information necessary for ICOIL to manage its own budget, income and expenses; and delays in the state's Department of Administration's reimbursements of ICOIL expenses.

Corrective Action 2: BRS must take the corrective action to ensure that the SILC chairperson is vested with the authority to make the controlling decisions concerning expenditures under the SILC resource plan, including those related to out-of-state travel, consistent with applicable state and federal law or regulations.

Agency Response: BRS is currently working with the Indiana Department of Administration (IDOA) to determine the most appropriate state procurement process to reflect the SILC's statutory independence, including the development of an entity to receive ICOIL resource plan funds and the establishment of a staff position to support ICOIL's operations. Regardless of the specific system selected, the SILC Chairperson will be vested with the authority to make controlling decisions concerning expenditures under the SILC resource plan.

RSA Response: BRS must take the corrective actions identified above and demonstrate to RSA that the new procurement process meets the requirements of Corrective Action 2.

Technical Assistance: BRS may request technical assistance.

Recommendation 5: RSA recommends that the corrective action include:

- 5.1 the establishment of a process for ICOIL, BRS and relevant other state agencies to identify and address any administrative obstacles to the ICOIL's proper expenditure of resources that it receives under the SILC resource plan;
- 5.2 BRS training to ICOIL members about the state's contracting and payments requirements; and
- 5.3 review and revision of BRS and SILC policies and procedures, as necessary.

Agency Response:

- 5.1 BRS is currently evaluating the state procurement processes to determine the most appropriate method to support the development of an individual/entity to receive funds to support the ICOIL, including a staff position (Final determination anticipated by July 1, 2010).
- 5.2 Upon completion of the governor's appointments, consistent with the new state statute, ICOIL members and the contracted entity/individual will be trained on the state's contracting and payment requirements.
- 5.3 In FY 2009, BRS engaged the services of a contractor to work with the SILC (ICOIL). A review of policies and procedures has been completed and revised as appropriate. ICOIL policies and procedures will be reviewed on an annual basis (Anticipated adoption – January/February 2010).

Technical Assistance: BRS may request technical assistance for Compliance Finding 5 and Recommendations 5.1 and 5.2. BRS does not request technical assistance with IL Recommendation 5.3.

3. Service Provider Requirements**Legal Requirement:**

Pursuant to 34 CFR 364.41(b), “the state plan must assure that the service provider does not impose any State or local residence requirement that excludes under the plan any individual who is present in the State and who is otherwise eligible for IL services from receiving IL services.”

Pursuant to 34 CFR 364.23(a), “the state plan must assure that the staff of the service provider includes personnel who are specialists in the development and provision of IL services and in the development and support of centers” and (b) “the state plan must also assure that, to the maximum extent feasible, the service provider makes available personnel able to communicate (1) With individuals with significant disabilities who rely on alternative modes of communication, such as manual communication, nonverbal communication devices, Braille, or audio tapes, and who apply for or receive IL services under title VII of the Act; and (2) In the native languages of individuals with significant disabilities whose English proficiency is limited and who apply for or receive IL services under title VII of the Act.”

Pursuant to 34 CFR 365.30, “the DSU shall develop, establish, and maintain written standards and procedures to be applied by service providers to assure expeditious and equitable handling of referrals and applications for IL services from individuals with significant disabilities.”

Pursuant to 34 CFR 364.20(i), “the state plan also must address how the specific requirements in Sections 364.21 through 364.43 and Sections 364.56 through 364.59 will be met.”

Compliance Finding 3: Federal regulations at 34 CFR 364.20(i) require that the SPIL include information addressing how the state will ensure that all service providers comply with specific requirements, including those cited above. Indiana's 2008-2010 SPIL includes the development

of an on-site CIL monitoring review instrument. After reviewing BRS' monitoring review instrument, as well as IL policies and procedures and CIL contract language for Part B and state-funded CILs, RSA has found that they address most, but not all, of the IL service provider requirements. They do not address the service providers requirements in 34 CFR 364.41(b) regarding residency, and the requirements at 34 CFR 364.23(a) and (b) regarding staffing. In addition, BRS has not established written standards and procedures to be applied by service providers to assure expeditious and equitable handling of referrals and applications for IL services, as required by 34 CFR 365.30.

Corrective Action 3: BRS must take corrective action to ensure that all service provider requirements outlined in 34 CFR 364.41(b), 34 CFR 364.23(a) and (b), and 34 CFR 365.30 are addressed in BRS' CIL on-site monitoring review instrument and, as appropriate, in its program policies and procedures and CIL contracts.

Agency Response: BRS will work with ICOIL to ensure that the service provider requirements are included in the monitoring instrument by the start of FY 2011.

RSA Response: In its corrective action plan, BRS must demonstrate to RSA that the service provider requirements have been addressed as stipulated in Corrective Action 3.

Technical Assistance: BRS may request technical assistance.

CHAPTER 5: INDEPENDENT LIVING FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAM

The following table provides data on the performance of the BRS OIB program in key areas for FY 2006 and FY 2007.

Table 5.1
Indiana's OIB Program Highlights for FY 2006 and FY 2007

Program Highlights	2006	2007
Title VII, chapter 2 expenditures	621,000	612,547
Total expenditures (including chapter 2)	684,490	682,569
Total served older individuals who are blind	654	994
Total FTEs	8.09	15.25
Total FTEs with disabilities	9.29	11.50

OIB Program Administration and Service Delivery

In FY 2008, BRS provided OIB services indirectly through contracts with seven service providers using \$580,000 in chapter 2 funds and \$85,000 in state matching funds. Four of the seven OIB service providers are centers for independent living, including three Part C-funded CILs. The remaining three service providers are CRPs that also provide VR services on behalf of BRS.

OIB contractors currently serve 42 of Indiana's 92 counties. Southern Indiana constitutes the OIB program's major underserved area. BRS has been unable to secure an OIB contractor for that area due to a lack of qualified applicants. Currently, the south is served only through itinerant rehabilitation teachers from other areas of the state. BRS hopes to address this challenge by convening a pre-solicitation orientation and training for prospective applicants in the south.

Personnel

The OIB program is administered by BRS through its Blind and Visually Impaired Services (BVIS) unit. The contractors' OIB staff, as reported in the FY 2007 RSA-7-OB Report, consisted of 15.25 total FTEs including 11.50 FTE's who were individuals with disabilities. BRS ensures the quality of the contractors' OIB personnel through the request for funding (RFF) requirement that all OIB personnel submit a resume or education and work experience in the field of disabilities and the stipulation that "training would be provided under the supervision of a Rehabilitation Teacher with a Masters Degree in Rehabilitation teaching or Rehabilitation Teacher certificate (CRT) or three years of experience." These qualifications are considered in the evaluation of potential OIB contractors.

Data Management

OIB contractors provide BRS with a number of quarterly and annual performance reports, including consumer satisfaction surveys, contract performance progress reports and RSA 7-OB annual performance report data. Contractors also collect detailed consumer information including customer identification data, individualized service/teaching plans; case notes and service outcome summaries. BRS currently does not have a system for collecting, analyzing and evaluating OIB program data, but is developing a case management database for this purpose.

Quality Assurance

BRS has established qualitative and quantitative performance measures in its service provider contracts. These performance measures are based on the OIB program's statutory requirements, specific outcome measures and consumer satisfaction levels. Service providers' progress in meeting the qualitative and quantitative goals is monitored through BRS' reviews of quarterly reports and regular contacts with IL Directors at ICOIL meetings.

BRS currently conducts periodic and random on-site reviews of OIB providers and was planning to develop a systematic on-site review protocol and instrument during 2009.

Planning

BRS and BVIS staff is conducting a comprehensive review of Indiana's OIB program with the purpose of developing a business plan to effectively align statewide OIB needs with available resources.

OIB Program Technical Assistance Provided to BRS During the Review Process

RSA provided the following OIB program technical assistance to BRS during the review process regarding:

- quality assurance and data management processes;
- needs assessment approaches and resources;
- on-site review instruments and protocols; and
- federal requirements for OIB service providers.

Observations of BRS and Its Stakeholders about the Performance of the OIB Program

RSA solicited input from BRS and a wide range of its stakeholders about the performance of the VR and SE programs. The BRS and its stakeholders shared the following observations:

- BRS' OIB performance contracting process has improved, but its payments and reporting procedures need to be further streamlined; and

- OIB program goals include increasing its capacity to serve the counties in the south; expanding the types of OIB services offered; overcoming barriers to transportation in the urban and rural areas of the state; expanding the availability of AT equipment and services; and developing an integrated case management/data analysis system for BRS staff and the OIB service providers.

RSA discussed the observations of its stakeholders with BRS and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

OIB Program Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to BRS about those observations. BRS responded to each of the recommendations and in those instances when RSA and BRS agreed upon a recommendation, RSA and BRS identified the technical assistance that RSA would provide to BRS to successfully implement the recommendation.

1. OIB contracting and payment procedures

Observation: BRS' stakeholders and service providers reported that OIB contracts apply a 10% payment "hold back" provision to ensure contractors meet their performance standards. Under this provision, OIB service providers receive the total budgeted funding amounts in their contracts only if they reach or exceed the minimum established performance standards. In each OIB contract, the contractor's total budgeted funding amount is divided into individual dollar amounts, each corresponding to a specific performance standard. In order to receive the total dollar amount for a given performance standard, the contractor must meet that performance standard at 90% or more of the established level for that performance standard. Otherwise, the 10% hold back provision takes effect and, as a result, the contractor does not receive the total dollar amount for that performance standard.

Though this may be a reasonable approach for ensuring minimum levels of contractor performance, the approach's effectiveness in optimizing OIB outcomes may be limited by its lack of incentives for contractors to perform above the minimum levels.

Recommendation: RSA recommends that BRS:

- 1.1 revise its contracting provisions to incorporate financial incentives for outstanding contractor performance; and
- 1.2 evaluate contractor performance through feedback from OIB service providers, consumers and other stakeholders in this review.

Agency Response:

- 1.1 Indiana is reviewing contract language to ensure there is incentive for OIB providers to exceed minimum standards. BRS will consider funding contractors at 90 percent of contract amount for meeting standards, and the additional 10 percent for exceeding standard.
- 1.2 BRS will begin to develop a survey tool to use for this purpose by the end of FY 2010. BRS is also considering utilizing peer reviews or review teams consisting of BVIS staff, OIB

contracted staff, and other key stakeholders. Additionally BVIS would like to explore the feasibility of conducting a consumer satisfaction survey in addition to the surveys conducted by contractors.

RSA Response: RSA appreciates BRS' intent to incorporate incentives for OIB providers to exceed minimum standards. However, the effect of the agency's proposal may be to penalize contractors who meet, but not exceed, the minimum standards. RSA encourages BRS to explore alternative options, in consultation with the providers.

Technical Assistance: BRS may request technical assistance.

OIB Program Compliance Findings and Corrective Actions

RSA identified the following compliance finding and corrective action that BRS is required to undertake. BRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist BRS.

1. OIB service provider requirements

Legal Requirement:

Pursuant to 34 CFR 367.4, "the following regulations apply to the Independent Living Services for Older Individuals Who Are Blind program: (c) The following provisions in 34 CFR part 364: ... (6) section 364.56 (What are the special requirements pertaining to the protection, use, and release of personal information?)"

Pursuant to 34 CFR 364.56(a), "The state plan must assure that each service provider will adopt and implement policies and procedures to safeguard the confidentiality of all personal information, including photographs and lists of names.

Compliance Finding 1: BRS is not in compliance with and 34 CFR 364.56(a) because it does not require its OIB service providers to adopt and implement policies and procedures to safeguard the confidentiality of all personal information. Such requirements are not contained in the OIB service provider contract or any policies and procedures.

Corrective Action 1: BRS must take corrective action to ensure that its OIB contracts or policies and procedures require the service providers to adopt and implement policies and procedures to safeguard the confidentiality of all personal information.

Agency Response to Corrective Action 1: BRS affirms to be in compliance with 34 CFR 364.56(a) through conveyance of the OIB Program contract, section number 10 A., 'Compliance with Laws' which states, "The Grantee shall comply with all applicable federal, state and local laws, rules, regulations and ordinances and all provisions required thereby to be included herein are hereby to be incorporated by reference. The enactment or modification of any applicable

state or federal statute or the promulgation of rules or regulations thereunder after execution of this Grant shall be reviewed by the State and the Grantee to determine whether the provisions of this Grant require formal modifications.” BRS thanks RSA for this recommendation and to ensure compliance, will in FY 2010 embed a specific confidentiality clause in all future OIB contracts.

RSA Response: In its corrective action plan, BRS must demonstrate to RSA that the OIB contracts and policies and procedures address the requirements of Corrective Action 1.

Recommendation 2: RSA recommends that BRS develop a policies and procedures manual for the OIB program. Such a manual would include the BRS’ OIB goals, mission and expectations as well as the program’s fiscal, contracting, reporting and oversight requirements.

Agency Response to Recommendation 2: BRS will develop a manual which will include the recommendation of OIB goals, mission statement, case management, contracting, provider responsibility, agency responsibility, program and fiscal monitoring, curriculum and training. BRS will solicit and partner with selected contractors for experienced input. This manual will be complete by the close of FY 2010.

Technical Assistance: BRS may request technical assistance regarding the compliance finding and/or recommendation.

CHAPTER 6: PROGRESS ON ISSUES RAISED IN PREVIOUS REVIEWS OF BRS

Vocational Rehabilitation

As a result of the RSA review conducted with BRS in FY 2004, the agency developed a Corrective Action Plan (CAP). A summary of the progress that BRS has made on the CAP is described below.

Corrective Action Plan

Through the implementation of its CAP, BRS has successfully resolved compliance findings related to the revisions to the agency's policies and procedures to ensure that the provision of services is based on the rehabilitation needs of each individual as identified in the individual's IPE, as well as the individual's informed choice, as required by 34 CFR 361.50.

Specifically, BRS has achieved compliance with pertinent statutory and regulatory requirements regarding:

- the presumed eligibility of recipients of Social Security benefits under Title II or XVI of the Social Security Act, as required by 34 CFR 361.42(a)(3);
- the determination of eligibility within 60 days or delayed with an extension agreed to by the individual being referred to the VR agency, as required by 34 CFR 361.41(b)(1);
- the development of the IPE within the agency's established timeline of 120 days from the date on which eligibility was determined; and
- the inclusion of a description of rehabilitation services needed to achieve an employment outcome in the IPE.

As this is the case, the FY 2004 CAP has been successfully completed, and no further action by BRS is necessary.

Independent Living Program

In May, 2002, prior to the establishment of its current monitoring review protocol, RSA conducted a targeted review of the Indiana IL program. Since that review, DDRS and ICOIL have taken a number of corrective actions in response to RSA's compliance findings.

During the FY 2009 review, RSA assessed the agency's progress in addressing each of the FY 2002 compliance findings in the context of its current monitoring protocol. RSA found that three of the findings had not been resolved. These findings have been carried over as the FY 2009 findings regarding:

- ICOIL membership and composition;
- ICOIL independence; and
- Service provider requirements.

RSA found that three of the FY 2002 findings were resolved, but identified related areas for further improvement. These findings have been carried over as the 2009 observations regarding:

- BRS' performance-based contracting and monitoring of CILs;
- ICOIL accountability and transparency; and
- ICOIL fiscal and programmatic capacity.

All other FY 2002 findings are considered to have been resolved, with no further actions necessary.

APPENDIX: SOURCES OF DATA

VR and SE Program Highlights

- Total funds expended on VR and SE – RSA-2 line 1.4
- Individuals whose cases were closed with employment outcomes - RSA-113 line D1
- Individuals whose cases were closed without employment outcomes - RSA-113 line D2
- Total number of individuals whose cases were closed after receiving services – RSA-113 line D1+D2
- Employment rate – RSA-113 line D1 divided by sum of RSA-113 line D1+D2, multiplied by 100
- Individuals whose cases were closed with SE outcomes – Total number of individuals whose employment status at closure (record position 161) = 7 in the RSA-911 report
- New applicants per million state population – RSA-113 line A2 divided by the result of the estimated state population divided by 1 million. The estimated state population is found on the following website:<http://www.census.gov/popest/states/NST-ann-est.html>
- Average cost per employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who achieved an employment outcome (record position 198 = 3) divided by the total number of these individuals
- Average cost per unsuccessful employment outcome – Sum of individuals' cost of purchased services from the RSA-911 (record position 104-109) for individuals who did not achieve an employment outcome (record position 198 = 4) divided by the total number of these individuals
- Average hourly earnings for competitive employment outcomes - Sum of individuals' weekly earnings at closure (record position 163-166) divided by the total hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure > 0, where the type of closure (record position 198) = 3, and where competitive employment (record position 162) = 1
- Average state hourly earnings – Using the most relevant available data from the Bureau of Labor Statistics Report (<http://www.bls.gov>), state average annual earnings divided by 2,080 hours

- Percent average hourly earnings for competitive employment outcomes to state average hourly earnings – Average hourly earnings for competitive employment outcomes (above) divided by the Average state hourly earnings (above) multiplied by 100
- Average hours worked per week for competitive employment outcomes - Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Percent of transition age served to total served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4
- Employment rate for transition population served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100
- Average time between application and closure (in months) for individuals with competitive employment outcomes - Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1
- Standard 1 – To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).
- Standard 2 – To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU's performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

IL Program Highlights (From RSA 704 report)

- Title VII, Chapter 1, Part B Funds – Subpart I, Administrative Data, Section A, Item 1(A)
- Total Resources (including Part B funds) – Subpart I, Administrative Data, Section A, Item 4
- Total Served - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)

- Total Consumer Service Records Closed - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(6)
- Cases Closed - Completed All Goals - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(4)
- Total Goals Set - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total Goals Met - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
- Total individuals accessing previously unavailable transportation, health care, and assistive technology - Subpart III, Section B, Item 2, sum of (A) + (B) + (C)
- Total FTEs - Subpart I, Section F, sum of Item 2 for the column
- Total FTEs with Disabilities - Subpart I, Section F, sum of Item 2 for the column

ILOB Program Highlights (From RSA 7-OB Form)

- Title VII, Chapter 2 Expenditures - Part I-Sources and Amounts of Funding, (A)(1)
- Total Expenditures (including Chapter 2) - Part I-Sources and Amounts of Funding, (A)(6)
- Total Older Individuals who are Blind Served - Part III-Data on Individuals Served During This Fiscal Year, (B)-Gender, sum of (1) + (2)
- Total FTEs - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column "Total FTEs: State Agency + Contactors"
- Total FTEs with Disabilities - Part II-Staffing, sum of (1) + (2) + (3) + (4) for the column "FTEs with Disability"